

**BOONE COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

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## Introductory Section



## Board of Education and School District Officials

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As of June 30, 2015

| Name                      | Title                        | Term Expires    |
|---------------------------|------------------------------|-----------------|
| <b>Board of Education</b> |                              |                 |
| Dr. Jeffrey Anderson      | President                    | September, 2015 |
| Kirk Leeds                | Vice President               | September, 2017 |
| Brad O'Neal               | Board Member                 | September, 2015 |
| Jan Westrum               | Board Member                 | September, 2015 |
| Dr. Brian Mehlhaus        | Board Member                 | September, 2017 |
| <b>School Officials</b>   |                              |                 |
| Dr. Brad Manard           | Superintendent               | Indefinite      |
| Paulette Newbold, CPA     | District Secretary/Treasurer | Indefinite      |

**Financial Section**



## **Independent Auditor's Report**

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Board of Education  
Boone Community School District  
Boone, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Boone Community School District, Boone, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the primary government, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Adverse Opinion on the Discretely Presented Component Unit**

The financial statements referred to above do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for component units to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component units. The District has not issued such reporting entity financial statements because the financial information related to the assets, liabilities, net position, revenue and expenses of the discretely presented component unit were not made available to the District.

### **Adverse Opinion on the Discretely Presented Component Unit**

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Discretely Presented Component Unit paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the District as of June 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Boone Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 9 to the financial statements, Boone Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of proportionate share of the net pension liability, the schedule of contributions and the schedule of funding progress for the retiree health plan on pages 5 through 15 and 47 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boone Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unqualified opinions on the financial statements for the years ended June 30, 2007 through June 30, 2011, a qualified opinion on the financial statements for the years ended June 30, 2012 and 2006 and an adverse opinion on the financial statements for the years ended June 30, 2013 and 2014. The supplementary information included on pages 54 through 61, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated November 24, 2015 on our consideration of Boone Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boone Community School District's internal control over financial reporting and compliance.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
November 24, 2015



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Boone Community School District is pleased to provide this management's discussion and analysis of its financial statements. This narrative overview and analysis of the District's financial performance is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- General Fund revenue increased 5.3% from \$22,156,131 in fiscal year 2014 to \$23,325,610 in fiscal year 2015 while General Fund expenditures decreased 1.4% from \$22,914,948 in fiscal year 2014 to \$22,594,069 in fiscal year 2015. The District's General Fund balance increased from \$3,701,042 as of the end of fiscal year 2014 to \$4,433,610 as of the end of fiscal year 2015, a 19.8% increase.
- The increase in General Fund revenue was primarily attributable to an increase in property tax receipts and receipt of the Microsoft Settlement Reimbursement.
- The decrease in General Fund expenditures can be attributed to decreases in utility costs, substitute teacher costs, textbook purchases, fuel costs, concurrent enrollment tuition costs and travel/field trip costs.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The government-wide financial statements consist of a statement of net position and a statement of activities. These provide information about the activities of Boone Community School District as a whole and present an overall view of the District's finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Boone Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Boone Community School District acts solely as an agent or custodian for the benefit of those outside the District.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the schedule of funding progress for the retiree health plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and capital project accounts. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

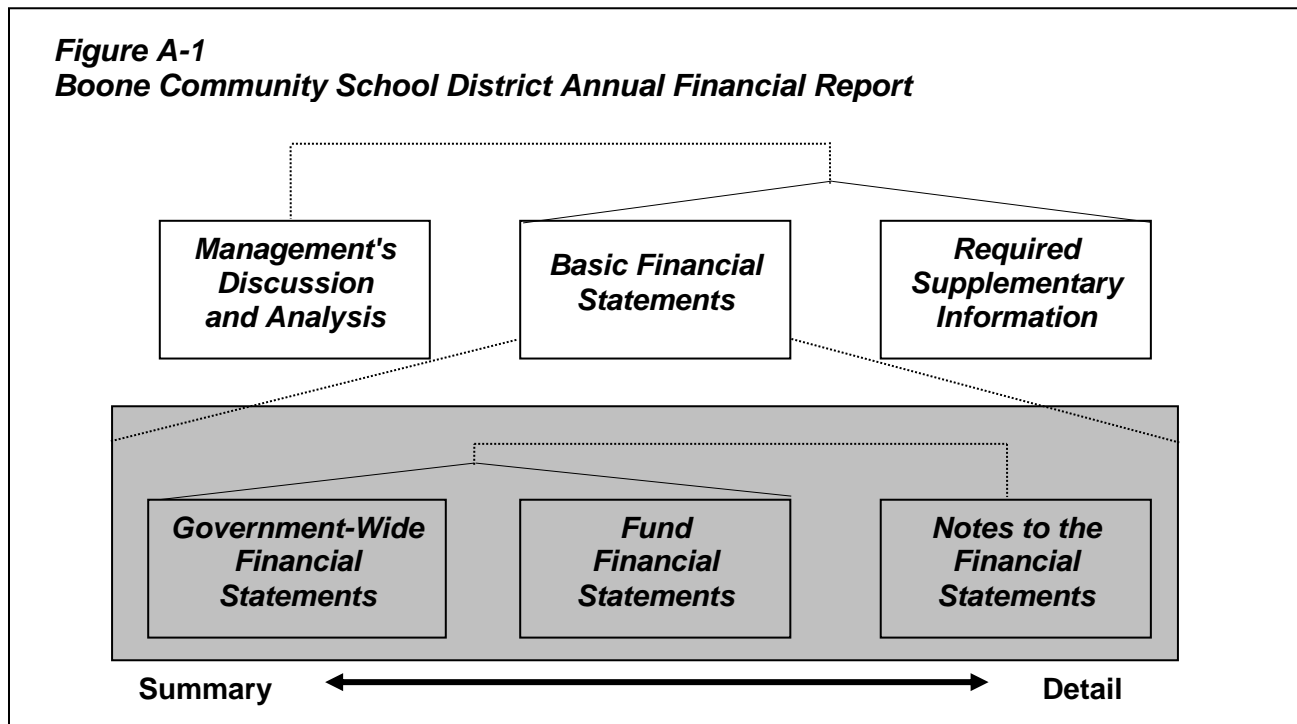


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

| <b>Figure A-2</b>  |  |   |   |   |
|--|--|---|---|---|
| <b>Major Features of the Government-Wide and Fund Financial Statements</b> |  |   |   |   |
|  | Government-Wide Statements   | Fund Statements   |   |   |
|  |  | Governmental Funds  | Proprietary Funds   | Fiduciary Fund  |
| Scope  | Entire district (except fiduciary funds)   | The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance  | Activities the district operates similar to private businesses: food services and internal services | Instances in which the district administers resources on behalf of someone else, such as scholarship programs               |
| Required financial statements  | Statement of net position  | Balance sheet   | Statement of net position<br><br>Statement of revenue, expenses and changes in fund net position    | Statement of fiduciary net position   |
|  | Statement of activities  | Statement of revenue, expenditures and changes in fund balances   | Statement of cash flows   | Statement of changes in fiduciary net position  |
| Accounting basis and measurement focus                                     | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus   | Accrual accounting and economic resources focus   | Accrual accounting and economic resources focus   |
| Type of asset/liability information  | All assets and liabilities, both financial and capital, short-term and long-term         | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included   | All assets and liabilities, both financial and capital, short-term and long-term                    | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of deferred outflow/inflow information                                | Consumption/ acquisition of net position that is applicable to a future reporting period | Consumption/ acquisition of fund balance that is applicable to a future reporting period  | Consumption/ acquisition of net position that is applicable to a future reporting period            | Consumption/ acquisition of net position that is applicable to a future reporting period                                    |
| Type of inflow/outflow information   | All revenue and expenses during the year, regardless of when cash is received or paid    | Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenue and expenses during the year, regardless of when cash is received or paid               | All additions and deductions during the year, regardless of when cash is received or paid                                   |

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-Wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenue and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating.

To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

| <b>Review of BCSD Property Tax Valuations by Year</b> |  |   |                           |
|---|--|---|---------------------------|
| <b>Year</b>   | <b>Taxable<br/>Valuation<br/>Without TIF</b> | <b>Increase<br/>(Decrease) Over<br/>Previous Year</b> | <b>Percent<br/>Change</b> |
| FY06  | \$330,923,798                                | \$ 8,943,283  | 2.78%                     |
| FY07  | 376,972,897                                  | 46,049,099  | 13.92%                    |
| FY08  | 382,551,700                                  | 5,578,803   | 1.48%                     |
| FY09  | 397,048,126                                  | 14,496,426  | 3.79%                     |
| FY10  | 415,002,669                                  | 17,954,543  | 4.52%                     |
| FY11  | 429,019,784                                  | 14,017,115  | 3.38%                     |
| FY12  | 425,063,630                                  | (3,956,154)   | 0.10%                     |
| FY13  | 439,261,596                                  | 14,197,966  | 3.34%                     |
| FY14  | 463,487,330                                  | 24,225,734  | 5.51%                     |
| FY15  | 465,221,928                                  | 7,734,598   | 1.67%                     |

| <b>BCSD Facilities by Age</b> |              |                              |
|-------------------------------|--------------|------------------------------|
|                               | <b>Built</b> | <b>Additions</b>             |
| Boone High School             | 1913         | 1924, 1954, 1986, 1995, 2014 |
| Lincoln Elementary            | 1939         | 1960                         |
| Franklin Elementary           | 1954         | 1998, 2010                   |
| Page Elementary               | 1960         |                              |
| Boone Middle School           | 2006         | 2010                         |

In the government-wide financial statements, the District's activities are divided into two categories.

- Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- Business-type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show it is properly using certain revenue, such as federal grants.

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Capital Projects Fund and the Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenue, expenditures and changes in fund balances.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District's enterprise fund is the School Nutrition Fund. Internal service funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District's Internal Service Fund is used to account for dental insurance.

The required financial statements for proprietary funds include a statement of net position, a statement of revenue, expenses and changes in fund net position and a statement of cash flows.

- *Fiduciary fund:* The District is the trustee, or fiduciary, for assets that belong to others. The District's fiduciary fund is the Private-Purpose Trust Fund which is used to account for outside donations for scholarships for individual students.

The District is responsible for ensuring assets reported in the fiduciary fund are used only for their intended purposes and by those to whom the assets belong. The District *excludes* these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the fiduciary fund include a statement of fiduciary net position and a statement of changes in fiduciary net position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position as of June 30, 2015 compared to June 30, 2014.

**Figure A-3**  
**Condensed Statement of Net Position**  
**(Expressed in Thousands)**

|  | <b>Governmental Activities</b> |                       | <b>Business-Type Activities</b> |                       | <b>Total District</b> |                       | <b>Percentage Change</b> |
|--|--------------------------------|-----------------------|---------------------------------|-----------------------|-----------------------|-----------------------|--------------------------|
|  | <b>June 30,</b>                |                       | <b>June 30,</b>                 |                       | <b>June 30,</b>       |                       | <b>June 30,</b>          |
|  | <b>2015</b>                    | <b>2014</b>           | <b>2015</b>                     | <b>2014</b>           | <b>2015</b>           | <b>2014</b>           | <b>2014-2015</b>         |
|  |                                | <b>(Not Restated)</b> |                                 | <b>(Not Restated)</b> |                       | <b>(Not Restated)</b> |                          |
| Current and Other Assets   | 25,418                         | 29,437                | 439                             | 368                   | 25,857                | 29,805                | (13.2)%                  |
| Capital Assets   | 43,779                         | 38,330                | 88                              | 114                   | 43,867                | 38,444                | 14.1 %                   |
| <b>Total Assets</b>  | <b>69,197</b>                  | <b>67,767</b>         | <b>527</b>                      | <b>482</b>            | <b>69,724</b>         | <b>68,249</b>         | <b>2.2 %</b>             |
| <b>Deferred Outflows of Resources</b>                                    | <b>1,722</b>                   | <b>-</b>              | <b>30</b>                       | <b>-</b>              | <b>1,752</b>          | <b>-</b>              | <b>100.0 %</b>           |
| <b>Total Assets and Deferred Outflows of Resources</b>                   | <b>70,919</b>                  | <b>67,767</b>         | <b>557</b>                      | <b>482</b>            | <b>71,476</b>         | <b>68,249</b>         | <b>4.7 %</b>             |
| Long-Term Liabilities  | 43,913                         | 36,759                | 151                             | -                     | 44,064                | 36,759                | 19.9 %                   |
| Other Liabilities  | 4,243                          | 4,059                 | 2                               | 15                    | 4,245                 | 4,074                 | 4.2 %                    |
| <b>Total Liabilities</b>   | <b>48,156</b>                  | <b>40,818</b>         | <b>153</b>                      | <b>15</b>             | <b>48,309</b>         | <b>40,833</b>         | <b>18.3 %</b>            |
| <b>Deferred Inflows of Resources</b>                                     | <b>11,917</b>                  | <b>8,332</b>          | <b>60</b>                       | <b>-</b>              | <b>11,977</b>         | <b>8,332</b>          | <b>43.7 %</b>            |
| <b>Net Position</b>  |                                |                       |                                 |                       |                       |                       |                          |
| Net investment in capital assets   | 11,768                         | 10,706                | 88                              | 114                   | 11,856                | 10,820                | 9.6 %                    |
| Restricted   | 4,859                          | 4,003                 | -                               | -                     | 4,859                 | 4,003                 | 21.4 %                   |
| Unrestricted   | (5,781)                        | 3,908                 | 256                             | 353                   | (5,525)               | 4,261                 | (229.7)%                 |
| <b>Total Net Position</b>  | <b>10,846</b>                  | <b>18,617</b>         | <b>344</b>                      | <b>467</b>            | <b>11,190</b>         | <b>19,084</b>         | <b>(41.4)%</b>           |
| <b>Total Liabilities, Deferred Inflows of Resources and Net Position</b> | <b>70,919</b>                  | <b>67,767</b>         | <b>557</b>                      | <b>482</b>            | <b>71,476</b>         | <b>68,249</b>         | <b>4.7 %</b>             |

The District's total net position decreased 41.4%, or approximately \$7,894,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how it can be used. The District's total restricted net position increased by approximately \$856,000, or 21.4%, over the prior year. The increase was a result of increased fund balances in the PPEL, activity, PERL, sales tax and categorical fund balances.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased by approximately \$9,786,000, or 229.7%. This is primarily attributable to the District's net pension liability and pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*, was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business-type activities were restated by \$10,829,508 and \$191,769, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

**Figure A-4**  
**Change in Net Position**  
**(Expressed in Thousands)**

|   | <b>Governmental Activities</b> |                | <b>Business-Type Activities</b> |                | <b>Total District</b> |                | <b>Percentage Change</b> |
|---|--------------------------------|----------------|---------------------------------|----------------|-----------------------|----------------|--------------------------|
|   | <b>2015</b>                    | <b>2014</b>    | <b>2015</b>                     | <b>2014</b>    | <b>2015</b>           | <b>2014</b>    | <b>2014-2015</b>         |
|   | (Not Restated)                 | (Not Restated) | (Not Restated)                  | (Not Restated) | (Not Restated)        | (Not Restated) |                          |
| <b>Revenue</b>                                |                                |                |                                 |                |                       |                |                          |
| <b>Program Revenue</b>                        |                                |                |                                 |                |                       |                |                          |
| Charges for service                           | 1,761                          | 1,341          | 362                             | 371            | 2,123                 | 1,712          | 24.0 %                   |
| Operating grants and contributions            | 3,805                          | 3,446          | 513                             | 529            | 4,318                 | 3,975          | 8.6 %                    |
| <b>General Revenue</b>                        |                                |                |                                 |                |                       |                |                          |
| Property tax                                  | 8,395                          | 7,692          | -                               | -              | 8,395                 | 7,692          | 9.1 %                    |
| Income surtax                                 | 845                            | 912            | -                               | -              | 845                   | 912            | (7.3)%                   |
| Statewide sales, services and use tax         | 2,070                          | 1,954          | -                               | -              | 2,070                 | 1,954          | 5.9 %                    |
| Unrestricted state grants                     | 11,443                         | 11,690         | -                               | -              | 11,443                | 11,690         | (2.1)%                   |
| Unrestricted investment earnings              | 31                             | 25             | -                               | -              | 31                    | 25             | 24.0 %                   |
| Other   | (31)                           | 169            | 13                              | -              | (18)                  | 169            | (110.7)%                 |
| <b>Total Revenue</b>                          | <b>28,319</b>                  | <b>27,229</b>  | <b>888</b>                      | <b>900</b>     | <b>29,207</b>         | <b>28,129</b>  | <b>3.8 %</b>             |
| <b>Program Expenses</b>                       |                                |                |                                 |                |                       |                |                          |
| Instruction                                   | 16,255                         | 16,615         | -                               | -              | 16,255                | 16,615         | (2.2)%                   |
| Support services                              | 6,891                          | 7,356          | -                               | -              | 6,891                 | 7,356          | (6.3)%                   |
| Noninstructional programs                     | -                              | -              | 819                             | 881            | 819                   | 881            | (7.0)%                   |
| Other expenses                                | 2,115                          | 2,689          | -                               | -              | 2,115                 | 2,689          | (21.3)%                  |
| <b>Total Expenses</b>                         | <b>25,261</b>                  | <b>26,660</b>  | <b>819</b>                      | <b>881</b>     | <b>26,080</b>         | <b>27,541</b>  | <b>(5.3)%</b>            |
| <b>Change in Net Position</b>                 | <b>3,058</b>                   | <b>569</b>     | <b>69</b>                       | <b>19</b>      | <b>3,127</b>          | <b>588</b>     | <b>431.8 %</b>           |
| Net Position - Beginning of Year, as restated | 7,788                          | 18,048         | 275                             | 448            | 8,063                 | 18,496         | (56.4)%                  |
| <b>Net Position - End of Year</b>             | <b>10,846</b>                  | <b>18,617</b>  | <b>344</b>                      | <b>467</b>     | <b>11,190</b>         | <b>19,084</b>  | <b>(41.4)%</b>           |

In fiscal year 2015, property tax and unrestricted state grants accounted for 70.1% of governmental activities revenue while charges for service and operating grants and contributions accounted for 98.5% of business-type activities revenue.

The District's total revenue was approximately \$29.2 million, of which approximately \$28.3 million was for governmental activities and less than \$1 million was for business-type activities.

- As shown in Figure A-4, the District as a whole experienced a 3.8% increase in revenue and a 5.3% decrease in expenses. The increase in revenue is primarily due to increased property tax revenue. The decrease in expenses is related to decreases in utility costs, substitute teacher costs, textbook purchases, fuel costs, concurrent enrollment tuition costs and travel/field trip costs.

## Governmental Activities

Revenue for governmental activities was \$28,350,534 and expenses were \$25,292,662 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses for the years ended June 30, 2015 compared to the year ended June 30, 2014.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

|                  | 2015                   | 2014                   |                             | 2015                 | 2014                 |                             |
|------------------|------------------------|------------------------|-----------------------------|----------------------|----------------------|-----------------------------|
|                  |                        | (Not Restated)         |                             |                      | (Not Restated)       |                             |
|                  | Total Cost of Services | Total Cost of Services | Percentage Change 2014-2015 | Net Cost of Services | Net Cost of Services | Percentage Change 2014-2015 |
| Instruction      | \$ 16,255              | \$ 16,615              | (2.2)%                      | \$ 11,621            | \$ 12,720            | (8.6)%                      |
| Support Services | 6,891                  | 7,356                  | (6.3)%                      | 6,848                | 7,325                | (6.5)%                      |
| Other Expenses   | 2,115                  | 2,689                  | (21.3)%                     | 1,226                | 1,828                | (32.9)%                     |
| <b>Total</b>     | <b>\$ 25,261</b>       | <b>\$ 26,660</b>       | <b>(5.2)%</b>               | <b>\$ 19,695</b>     | <b>\$ 21,873</b>     | <b>(10.0)%</b>              |

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,761,183.
- Federal and state governments and local entities subsidized certain programs with grants and contributions totaling \$3,805,211.
- The net cost of governmental activities was financed with \$11,309,871 in property and other taxes and \$11,443,184 in unrestricted state grants.

## Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2015 was \$888,834, representing a 1.2% decrease from the prior year, while expenses totaled \$819,565, a 6.9% decrease from the prior year. The District's business-type activities include the School Nutrition Fund. Revenue of this activity is primarily comprised of charges for service and federal and state reimbursements.



## **INDIVIDUAL FUND ANALYSIS**

As previously noted, Boone Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$11,817,966 below last year's ending fund balances of \$16,145,324. However, the primary reason for the decrease in combined fund balances at the end of fiscal year 2015 is due to expenditures for the high school construction project scheduled to be completed in August, 2015.

### **Governmental Fund Highlights**

- The General Fund balance increased \$732,568 to \$4,433,610 at the end of fiscal year 2015. The increase was due to an increase in General Fund revenue and a decrease in General Fund expenditures.
- The Debt Service Fund balance increased from \$913,091 at the end of fiscal year 2014 to \$919,378 at the end of fiscal year 2015. Revenue and expenditures did not vary significantly from the prior year.
- The Capital Projects Fund balance decreased from \$10,535,177 at the end of fiscal year 2014 to \$5,396,569 at the end of fiscal year 2015. This was due to current year construction expenditures.

### **Proprietary Fund Highlights**

- School Nutrition Fund net position increased from \$275,586 (restated) as of June 30, 2014 to \$344,855 as of June 30, 2015, representing an increase of 25.1%. The increase is primarily due to a decrease in the salaries and benefits cost resulting from staff turnover.
- The Internal Service Fund net position increased from \$46,406 as of June 30, 2014 to \$56,752 as of June 30, 2015, representing an increase of 22.3%. The increase was a result of premium contributions in excess of claims and fees.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Boone Community School District amended its budget one time to reflect additional expenditures associated with the purchase of furniture, fixtures and equipment for the new high school facility.

The District's total revenue was \$275,600 more than total budgeted revenue, a variance of less than 1%.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2015, the District had invested approximately \$43.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 14.1% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$809,630.

The original cost of the District's capital assets was approximately \$56.4 million. Governmental funds account for approximately \$56.0 million, with the remainder of approximately \$0.4 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category as the High School addition and renovation project continues.

**Figure A-6**  
**Capital Assets, Net of Depreciation**  
**(Expressed in Thousands)**

|                            | <b>Governmental Activities</b> |               | <b>Business-Type Activities</b> |             | <b>Total District</b> |               | <b>Percentage Change</b> |
|----------------------------|--------------------------------|---------------|---------------------------------|-------------|-----------------------|---------------|--------------------------|
|                            | <b>2015</b>                    | <b>2014</b>   | <b>2015</b>                     | <b>2014</b> | <b>2015</b>           | <b>2014</b>   | <b>2014-2015</b>         |
| Land                       | 319                            | 319           | -                               | -           | 319                   | 319           | 0.0 %                    |
| Construction in Progress   | 20,753                         | 14,623        | -                               | -           | 20,753                | 14,623        | 41.9 %                   |
| Buildings and Improvements | 22,121                         | 22,681        | -                               | -           | 22,121                | 22,681        | (2.5)%                   |
| Furniture and Equipment    | 586                            | 707           | 88                              | 114         | 674                   | 821           | (17.9)%                  |
| <b>Total</b>               | <b>43,779</b>                  | <b>38,330</b> | <b>88</b>                       | <b>114</b>  | <b>43,867</b>         | <b>38,444</b> | <b>14.1 %</b>            |

### LONG-TERM DEBT

As of June 30, 2015, the District had a total of \$34,655,244 in general obligation and revenue bonds outstanding, net of unamortized premiums and discounts. This represents a decrease of 4% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$42 million.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(Expressed in Thousands)**

|                                    | <b>Total District</b> |                 | <b>Total Change</b> |
|------------------------------------|-----------------------|-----------------|---------------------|
|                                    | <b>June 30,</b>       | <b>June 30,</b> | <b>June 30,</b>     |
|                                    | <b>2015</b>           | <b>2014</b>     | <b>2014-2015</b>    |
| General Obligation Bonds           | 22,185                | 22,940          | (3.3)%              |
| Revenue Bonds                      | 12,555                | 13,210          | (5.0)%              |
| Unamortized Underwriter's Discount | (345)                 | (370)           | (6.8)%              |
| Unamortized Premium                | 260                   | 281             | (11.9)%             |
| <b>Total</b>                       | <b>34,655</b>         | <b>36,061</b>   | <b>(4.0)%</b>       |

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- Boone Community School District Board of Education adopted a fiscal management policy in fiscal year 2011. Financial targets for two key school finance indicators, unspent authorized budget and solvency ratio, have been set to closely monitor the current and projected fiscal health of the District. Sustainability is an important goal which will require a spending plan related to budgetary allowable growth each year. Recurring expenses such as salaries and benefits which represent nearly 80% of the General Fund budget, must be scrutinized and adjusted as necessary to maintain the District's fiscal management goals.
- The District's unspent and unrestricted authorized budget balance, or the remaining legal spending authority at the end of a fiscal year, increased from \$2,921,499 as of June 30, 2014 to \$3,419,181 as of June 30, 2015. This is the most important financial health indicator for the District, and the fiscal management goal is no less than 10% with a target of 15%. The unspent balance ratio increased from 11.1% as of June 30, 2014 to 12.8% as of June 30, 2015. This increase is due to underspending the General Fund budget in the expenditure areas of fuel, utilities, substitutes, textbooks, concurrent enrollment and travel.
- The District's General Fund balance increased during fiscal year 2015. The General Fund unassigned fund balance increased from \$3,307,693 as of June 30, 2014 to \$3,866,762 as of June 30, 2015. The District's targeted solvency ratio as of June 30 is a minimum of 15% of that year's revenue. The solvency ratio as of June 30, 2015 is 16.58%, an increase from 14.89% as of June 30, 2014.
- The allowable growth increase for fiscal year 2016 is 1.25% and fiscal year 2017 has not yet been set. The certified enrollment figures reported in October, 2015, which will be the basis for the District's state funding for fiscal year 2017, decreased by 28 students, or 1.3% less than the current year resulting in the District potentially being on the budget guarantee in FY17. Future enrollment declines are expected to continue.
- The District enters into annual contracts with its two collective bargaining units. Growth in employee wages and benefits has outpaced state funding to schools which has a profound effect on the District's General Fund budget as salaries and benefits remain close to 80% of General Fund expenditures. Low allowable growth and declining enrollment continue to have a significant impact on future budget decisions.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's commitment of accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Paulette Newbold, CPA, District Secretary/Treasurer and Director of Business Services, Boone Community School District, 500 Seventh Street, Boone, Iowa 50036-2898.

## Basic Financial Statements

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# Statement of Net Position

As of June 30, 2015

|  | Governmental<br>Activities  | Business-<br>Type<br>Activities | Total                       |
|--|-----------------------------|---------------------------------|-----------------------------|
| <b>Assets and Deferred Outflows of Resources</b>                       |                             |                                 |                             |
| <b>Assets</b>  |                             |                                 |                             |
| Cash, cash equivalents and pooled investments                          | \$ 14,935,150               | \$ 395,061                      | \$ 15,330,211               |
| Receivables  |                             |                                 |                             |
| Property Tax, Net of Allowance   |                             |                                 |                             |
| Current year delinquent .....  | 82,017                      | —                               | 82,017                      |
| Succeeding year .....  | 8,525,785                   | —                               | 8,525,785                   |
| Accounts .....   | 4,570                       | 14,711                          | 19,281                      |
| Due from other governments .....                                       | 1,509,952                   | —                               | 1,509,952                   |
| Inventories and prepaid items .....                                    | 15,381                      | 29,325                          | 44,706                      |
| Unamortized underwriter's discount on<br>bonds payable .....           | 344,960                     | —                               | 344,960                     |
| Capital assets, net of accumulated depreciation                        | <u>43,779,262</u>           | <u>87,983</u>                   | <u>43,867,245</u>           |
| <b>Total Assets</b> .....  | <b><u>69,197,077</u></b>    | <b><u>527,080</u></b>           | <b><u>69,724,157</u></b>    |
| <b>Deferred Outflows of Resources</b>                                  |                             |                                 |                             |
| Pension-related deferred outflows .....                                | <u>1,721,603</u>            | <u>30,487</u>                   | <u>1,752,090</u>            |
| <b>Total Assets and Deferred Outflows<br/>of Resources</b> .....       | <b><u>\$ 70,918,680</u></b> | <b><u>\$ 557,567</u></b>        | <b><u>\$ 71,476,247</u></b> |
| <b>Liabilities, Deferred Inflows of Resources<br/>and Net Position</b> |                             |                                 |                             |
| <b>Liabilities</b>   |                             |                                 |                             |
| Accounts payable .....   | \$ 1,946,698                | \$ 687                          | \$ 1,947,385                |
| Salaries and benefits payable .....                                    | 1,937,012                   | 1,293                           | 1,938,305                   |
| Premiums received in advance .....                                     | 6,620                       | —                               | 6,620                       |
| Accrued interest payable .....   | 352,790                     | —                               | 352,790                     |
| Long-Term Liabilities  |                             |                                 |                             |
| Portion Due Within One Year  |                             |                                 |                             |
| General obligation bonds .....   | 1,020,000                   | —                               | 1,020,000                   |
| Revenue bonds .....  | 665,000                     | —                               | 665,000                     |
| Early retirement .....   | 80,687                      | —                               | 80,687                      |
| Portion Due After One Year   |                             |                                 |                             |
| General obligation bonds .....   | 21,165,000                  | —                               | 21,165,000                  |
| Revenue bonds .....  | 11,890,000                  | —                               | 11,890,000                  |
| Unamortized premium on bonds payable .....                             | 260,204                     | —                               | 260,204                     |
| Net pension liability .....  | 8,509,216                   | 150,682                         | 8,659,898                   |
| Net OPEB liability .....   | <u>323,000</u>              | <u>—</u>                        | <u>323,000</u>              |
| <b>Total Liabilities</b> .....   | <b><u>48,156,227</u></b>    | <b><u>152,662</u></b>           | <b><u>48,308,889</u></b>    |

See accompanying notes to the financial statements.

## Statement of Net Position

As of June 30, 2015

|  | Governmental<br>Activities  | Business-<br>Type<br>Activities | Total                       |
|--|-----------------------------|---------------------------------|-----------------------------|
| <b>Deferred Inflows of Resources</b>   |                             |                                 |                             |
| Unavailable property tax revenue .....   | \$ 8,525,785                | \$ —                            | \$ 8,525,785                |
| Pension-related deferred inflows .....   | 3,391,085                   | 60,050                          | 3,451,135                   |
| <b>Total Deferred Inflows of Resources .....</b>                                   | <b><u>11,916,870</u></b>    | <b><u>60,050</u></b>            | <b><u>11,976,920</u></b>    |
| <b>Net Position</b>  |                             |                                 |                             |
| Net investment in capital assets .....   | 11,767,595                  | 87,983                          | 11,855,578                  |
| Restricted for   |                             |                                 |                             |
| Categorical funding .....  | 551,467                     | —                               | 551,467                     |
| Debt service .....   | 1,838,357                   | —                               | 1,838,357                   |
| School infrastructure .....  | 881,951                     | —                               | 881,951                     |
| Physical plant and equipment .....   | 599,272                     | —                               | 599,272                     |
| Student activities .....   | 229,494                     | —                               | 229,494                     |
| Management levy purposes .....   | 694,850                     | —                               | 694,850                     |
| Public recreation .....  | 63,378                      | —                               | 63,378                      |
| Unrestricted .....   | (5,780,781)                 | 256,872                         | (5,523,909)                 |
| <b>Total Net Position .....</b>  | <b><u>10,845,583</u></b>    | <b><u>344,855</u></b>           | <b><u>11,190,438</u></b>    |
| <b>Total Liabilities, Deferred Inflows of<br/>Resources and Net Position .....</b> | <b><u>\$ 70,918,680</u></b> | <b><u>\$ 557,567</u></b>        | <b><u>\$ 71,476,247</u></b> |

Statement of Activities

Year Ended June 30, 2015

| Functions/Programs  | Program Revenue             |                            |  | Net (Expenses), Revenue and Changes in Net Position |                                 |                             |
|---|-----------------------------|----------------------------|--|---|---------------------------------|-----------------------------|
|   | Expenses                    | Charges<br>for Service     | Operating<br>Grants and<br>Contributions | Governmental<br>Activities                          | Business-<br>Type<br>Activities | Total                       |
| <b>Governmental Activities</b>                                |                             |                            |  |   |                                 |                             |
| Instruction   |                             |                            |  |   |                                 |                             |
| Regular .....   | \$ 10,357,654               | \$ 1,277,042               | \$ 2,705,687                             | \$ (6,374,925)                                      | \$ —                            | \$ (6,374,925)              |
| Special .....   | 4,730,247                   | 231,464                    | 114,905                                  | (4,383,878)   | —                               | (4,383,878)                 |
| Other .....   | 1,167,208                   | 223,344                    | 81,053                                   | (862,811)   | —                               | (862,811)                   |
| Total Instruction .....                                       | <u>16,255,109</u>           | <u>1,731,850</u>           | <u>2,901,645</u>                         | <u>(11,621,614)</u>                                 | <u>—</u>                        | <u>(11,621,614)</u>         |
| Support Services  |                             |                            |  |   |                                 |                             |
| Student .....   | 904,851                     | —                          | —  | (904,851)   | —                               | (904,851)                   |
| Instructional staff .....                                     | 543,868                     | —                          | —  | (543,868)   | —                               | (543,868)                   |
| Administration .....  | 2,450,478                   | —                          | —  | (2,450,478)   | —                               | (2,450,478)                 |
| Operation and maintenance of plant .....                      | 2,438,841                   | 26,060                     | —  | (2,412,781)   | —                               | (2,412,781)                 |
| Transportation .....  | 553,368                     | 3,273                      | 14,292                                   | (535,803)   | —                               | (535,803)                   |
| Total Support Services .....                                  | <u>6,891,406</u>            | <u>29,333</u>              | <u>14,292</u>                            | <u>(6,847,781)</u>                                  | <u>—</u>                        | <u>(6,847,781)</u>          |
| Other Expenses  |                             |                            |  |   |                                 |                             |
| Facilities acquisition .....                                  | 50,190                      | —                          | —  | (50,190)  | —                               | (50,190)                    |
| Long-term debt interest and fiscal charges .....              | 1,170,577                   | —                          | —  | (1,170,577)   | —                               | (1,170,577)                 |
| AEA flowthrough .....   | 889,274                     | —                          | 889,274                                  | —   | —                               | —                           |
| Depreciation - unallocated* .....                             | 4,750                       | —                          | —  | (4,750)   | —                               | (4,750)                     |
| Total Other Expenses .....                                    | <u>2,114,791</u>            | <u>—</u>                   | <u>889,274</u>                           | <u>(1,225,517)</u>                                  | <u>—</u>                        | <u>(1,225,517)</u>          |
| <b>Total Governmental Activities .....</b>                    | <b><u>25,261,306</u></b>    | <b><u>1,761,183</u></b>    | <b><u>3,805,211</u></b>                  | <b><u>(19,694,912)</u></b>                          | <b><u>—</u></b>                 | <b><u>(19,694,912)</u></b>  |
| <b>Business-Type Activities</b>                               |                             |                            |  |   |                                 |                             |
| Noninstructional Programs                                     |                             |                            |  |   |                                 |                             |
| Food service operations .....                                 | <u>819,565</u>              | <u>362,100</u>             | <u>513,265</u>                           | <u>—</u>  | <u>55,800</u>                   | <u>55,800</u>               |
| <b>Total .....</b>  | <b><u>\$ 26,080,871</u></b> | <b><u>\$ 2,123,283</u></b> | <b><u>\$ 4,318,476</u></b>               | <b><u>(19,694,912)</u></b>                          | <b><u>55,800</u></b>            | <b><u>(19,639,112)</u></b>  |
| <b>General Revenue (Expense)</b>                              |                             |                            |  |   |                                 |                             |
| Property Tax Levied for                                       |                             |                            |  |   |                                 |                             |
| General purposes .....  |                             |                            |  | 5,684,135   | —                               | 5,684,135                   |
| Management levy purposes .....                                |                             |                            |  | 383,468   | —                               | 383,468                     |
| Public recreation .....                                       |                             |                            |  | 63,378  | —                               | 63,378                      |
| Capital outlay .....  |                             |                            |  | 825,506   | —                               | 825,506                     |
| Debt service .....  |                             |                            |  | 1,438,366   | —                               | 1,438,366                   |
| Income surtax .....   |                             |                            |  | 844,825   | —                               | 844,825                     |
| Statewide sales, services and use tax .....                   |                             |                            |  | 2,070,193   | —                               | 2,070,193                   |
| Unrestricted state grants .....                               |                             |                            |  | 11,443,184  | —                               | 11,443,184                  |
| Unrestricted investment earnings .....                        |                             |                            |  | 31,085  | 9                               | 31,094                      |
| Other .....   |                             |                            |  | —   | 13,460                          | 13,460                      |
| Loss on sale of capital assets .....                          |                             |                            |  | (31,356)  | —                               | (31,356)                    |
| <b>Total General Revenue (Expense) .....</b>                  |                             |                            |  | <b><u>22,752,784</u></b>                            | <b><u>13,469</u></b>            | <b><u>22,766,253</u></b>    |
| <b>Change in Net Position .....</b>                           |                             |                            |  | <b><u>3,057,872</u></b>                             | <b><u>69,269</u></b>            | <b><u>3,127,141</u></b>     |
| Net Position - Beginning of Year, as restated (Note 19) ..... |                             |                            |  | <u>7,787,711</u>                                    | <u>275,586</u>                  | <u>8,063,297</u>            |
| <b>Net Position - End of Year .....</b>                       |                             |                            |  | <b><u>\$ 10,845,583</u></b>                         | <b><u>\$ 344,855</u></b>        | <b><u>\$ 11,190,438</u></b> |

\* This amount excludes the depreciation included in the direct expenses of the various programs.

## Balance Sheet - Governmental Funds

As of June 30, 2015

|   | General                     | Debt<br>Service            | Capital<br>Projects        | Nonmajor                   | Total                       |
|---|-----------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|
| <b>Assets</b>   |                             |                            |                            |                            |                             |
| Cash, cash equivalents and<br>pooled investments .....                        | \$ 6,429,301                | \$ 910,968                 | \$ 6,458,063               | \$ 1,071,711               | \$ 14,870,043               |
| Receivables   |                             |                            |                            |                            |                             |
| Property Tax, Net of Allowance  |                             |                            |                            |                            |                             |
| Current year delinquent.....  | 55,593                      | 14,026                     | 8,010                      | 4,388                      | 82,017                      |
| Succeeding year .....   | 6,030,716                   | 1,411,945                  | 820,022                    | 263,102                    | 8,525,785                   |
| Accounts .....  | 1,893                       | —                          | 2,677                      | —                          | 4,570                       |
| Due from other funds .....  | —                           | —                          | 7,679                      | —                          | 7,679                       |
| Due from other governments .....  | 1,194,373                   | 63                         | 315,228                    | 288                        | 1,509,952                   |
| Prepaid items .....   | 15,381                      | —                          | —                          | —                          | 15,381                      |
| <b>Total Assets .....</b>   | <b><u>\$ 13,727,257</u></b> | <b><u>\$ 2,337,002</u></b> | <b><u>\$ 7,611,679</u></b> | <b><u>\$ 1,339,489</u></b> | <b><u>\$ 25,015,427</u></b> |
| <b>Liabilities, Deferred Inflows of<br/>Resources and Fund Balances</b>       |                             |                            |                            |                            |                             |
| <b>Liabilities</b>  |                             |                            |                            |                            |                             |
| Accounts payable.....   | \$ 541,897                  | \$ —                       | \$ 1,395,088               | \$ 7,978                   | \$ 1,944,963                |
| Salaries and benefits payable .....   | 1,937,012                   | —                          | —                          | —                          | 1,937,012                   |
| Due to other funds.....   | 2,000                       | 5,679                      | —                          | —                          | 7,679                       |
| <b>Total Liabilities .....</b>  | <b><u>2,480,909</u></b>     | <b><u>5,679</u></b>        | <b><u>1,395,088</u></b>    | <b><u>7,978</u></b>        | <b><u>3,889,654</u></b>     |
| <b>Deferred Inflows of Resources</b>  |                             |                            |                            |                            |                             |
| Unavailable Revenue   |                             |                            |                            |                            |                             |
| Succeeding year property tax.....   | 6,030,716                   | 1,411,945                  | 820,022                    | 263,102                    | 8,525,785                   |
| Income surtax.....  | 782,022                     | —                          | —                          | —                          | 782,022                     |
| <b>Total Deferred Inflows of<br/>Resources .....</b>                          | <b><u>6,812,738</u></b>     | <b><u>1,411,945</u></b>    | <b><u>820,022</u></b>      | <b><u>263,102</u></b>      | <b><u>9,307,807</u></b>     |
| <b>Fund Balances</b>  |                             |                            |                            |                            |                             |
| Nonspendable  |                             |                            |                            |                            |                             |
| Prepaid items.....  | 15,381                      | —                          | —                          | —                          | 15,381                      |
| Restricted for  |                             |                            |                            |                            |                             |
| Categorical funding .....   | 551,467                     | —                          | —                          | —                          | 551,467                     |
| Debt service.....   | —                           | 919,378                    | 1,187,013                  | —                          | 2,106,391                   |
| School infrastructure .....   | —                           | —                          | 3,610,284                  | —                          | 3,610,284                   |
| Physical plant and equipment .....  | —                           | —                          | 599,272                    | —                          | 599,272                     |
| Student activities .....  | —                           | —                          | —                          | 229,494                    | 229,494                     |
| Management levy purposes .....  | —                           | —                          | —                          | 775,537                    | 775,537                     |
| Public recreation.....  | —                           | —                          | —                          | 63,378                     | 63,378                      |
| Unassigned.....   | 3,866,762                   | —                          | —                          | —                          | 3,866,762                   |
| <b>Total Fund Balances .....</b>  | <b><u>4,433,610</u></b>     | <b><u>919,378</u></b>      | <b><u>5,396,569</u></b>    | <b><u>1,068,409</u></b>    | <b><u>11,817,966</u></b>    |
| <b>Total Liabilities, Deferred Inflows<br/>of Resources and Fund Balances</b> | <b><u>\$ 13,727,257</u></b> | <b><u>\$ 2,337,002</u></b> | <b><u>\$ 7,611,679</u></b> | <b><u>\$ 1,339,489</u></b> | <b><u>\$ 25,015,427</u></b> |

See accompanying notes to the financial statements.



# Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

As of June 30, 2015

**Total Fund Balances for Governmental Funds (Page 19)....** **\$ 11,817,966**

***Amounts reported for governmental activities in the statement of net position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds..... 43,779,262

An internal service fund is used by management to charge the costs of dental insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position..... 56,752

Income surtax receivable is not available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the government funds..... 782,022

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds..... (352,790)

Pension-related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

|                                      |                    |             |
|--------------------------------------|--------------------|-------------|
| Deferred outflows of resources ..... | \$ 1,721,603       |             |
| Deferred inflows of resources .....  | <u>(3,391,085)</u> | (1,669,482) |

Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.

|  |                  |                     |
|--|------------------|---------------------|
| Unamortized underwriter's discount on bonds payable..... | \$ 344,960       |                     |
| General obligation bonds .....                           | (22,185,000)     |                     |
| Revenue bonds .....                                      | (12,555,000)     |                     |
| Unamortized premium on bonds payable .....               | (260,204)        |                     |
| Early retirement.....                                    | (80,687)         |                     |
| Net pension liability .....                              | (8,509,216)      |                     |
| Net OPEB .....   | <u>(323,000)</u> | <u>(43,568,147)</u> |

**Net Position of Governmental Activities (Page 17).....** **\$ 10,845,583**

# Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2015

|   | General             | Debt<br>Service    | Capital<br>Projects | Nonmajor            | Total                |
|---|---------------------|--------------------|---------------------|---------------------|----------------------|
| <b>Revenue</b>  |                     |                    |                     |                     |                      |
| Local Sources   |                     |                    |                     |                     |                      |
| Local tax .....                                       | \$ 6,531,258        | \$ 1,421,686       | \$ 815,980          | \$ 441,417          | \$ 9,210,341         |
| Tuition .....   | 1,067,145           | —                  | —                   | —                   | 1,067,145            |
| Other .....   | 499,942             | 123                | 30,367              | 284,819             | 815,251              |
| State sources .....                                   | 14,371,736          | 16,680             | 2,079,719           | 5,429               | 16,473,564           |
| Federal sources .....                                 | 855,529             | —                  | —                   | —                   | 855,529              |
| <b>Total Revenue .....</b>                            | <b>23,325,610</b>   | <b>1,438,489</b>   | <b>2,926,066</b>    | <b>731,665</b>      | <b>28,421,830</b>    |
| <b>Expenditures</b>                                   |                     |                    |                     |                     |                      |
| Current   |                     |                    |                     |                     |                      |
| Instruction   |                     |                    |                     |                     |                      |
| Regular .....   | 9,379,771           | —                  | 422,335             | 137,133             | 9,939,239            |
| Special .....   | 4,880,120           | —                  | —                   | —                   | 4,880,120            |
| Other .....   | 939,908             | —                  | —                   | 242,574             | 1,182,482            |
| Total Instruction .....                               | 15,199,799          | —                  | 422,335             | 379,707             | 16,001,841           |
| Support Services                                      |                     |                    |                     |                     |                      |
| Student .....   | 933,646             | —                  | —                   | —                   | 933,646              |
| Instructional staff .....                             | 569,245             | —                  | —                   | —                   | 569,245              |
| Administration .....                                  | 2,434,072           | —                  | 44,815              | 8,171               | 2,487,058            |
| Operation and maintenance of<br>plant .....           | 2,069,136           | —                  | 123,844             | 259,791             | 2,452,771            |
| Transportation .....                                  | 498,897             | —                  | —                   | 11,601              | 510,498              |
| Total Support Services .....                          | 6,504,996           | —                  | 168,659             | 279,563             | 6,953,218            |
| Other Expenditures                                    |                     |                    |                     |                     |                      |
| Facilities acquisition .....                          | —                   | —                  | 6,388,668           | —                   | 6,388,668            |
| Long-Term Debt  |                     |                    |                     |                     |                      |
| Principal .....                                       | —                   | 1,410,000          | —                   | —                   | 1,410,000            |
| Interest and fiscal charges .....                     | —                   | 1,182,015          | —                   | —                   | 1,182,015            |
| AEA flowthrough .....                                 | 889,274             | —                  | —                   | —                   | 889,274              |
| Total Other Expenditures .....                        | 889,274             | 2,592,015          | 6,388,668           | —                   | 9,869,957            |
| <b>Total Expenditures .....</b>                       | <b>22,594,069</b>   | <b>2,592,015</b>   | <b>6,979,662</b>    | <b>659,270</b>      | <b>32,825,016</b>    |
| <b>Revenue Over (Under)<br/>Expenditures .....</b>    | <b>731,541</b>      | <b>(1,153,526)</b> | <b>(4,053,596)</b>  | <b>72,395</b>       | <b>(4,403,186)</b>   |
| <b>Other Financing Sources (Uses)</b>                 |                     |                    |                     |                     |                      |
| Proceeds from sale of<br>capital assets .....         | 1,027               | —                  | 74,801              | —                   | 75,828               |
| Transfers in .....                                    | —                   | 1,159,813          | —                   | —                   | 1,159,813            |
| Transfers out .....                                   | —                   | —                  | (1,159,813)         | —                   | (1,159,813)          |
| <b>Total Other Financing<br/>Sources (Uses) .....</b> | <b>1,027</b>        | <b>1,159,813</b>   | <b>(1,085,012)</b>  | <b>—</b>            | <b>75,828</b>        |
| <b>Change in Fund Balances .....</b>                  | <b>732,568</b>      | <b>6,287</b>       | <b>(5,138,608)</b>  | <b>72,395</b>       | <b>(4,327,358)</b>   |
| Fund Balance - Beginning of Year ...                  | 3,701,042           | 913,091            | 10,535,177          | 996,014             | 16,145,324           |
| <b>Fund Balance - End of Year .....</b>               | <b>\$ 4,433,610</b> | <b>\$ 919,378</b>  | <b>\$ 5,396,569</b> | <b>\$ 1,068,409</b> | <b>\$ 11,817,966</b> |

See accompanying notes to the financial statements.

# Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year Ended June 30, 2015

**Change in Fund Balances - Total Governmental Funds (Page 21)** **\$ (4,327,358)**

***Amounts reported for governmental activities in the statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the statement of activities and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense for the year are as follows:

|                                       |                  |           |
|---------------------------------------|------------------|-----------|
| Expenditures for capital outlays..... | \$ 6,338,478     |           |
| Depreciation expense.....             | <u>(781,985)</u> | 5,556,493 |

|   |  |           |
|---|--|-----------|
| The net book value of capital assets disposed of during the year..... |  | (107,184) |
|---|--|-----------|

|  |  |         |
|--|--|---------|
| Amortization of premiums and discounts on bonds payable does not provide or use current financial resources of governmental funds but it decreases assets and liabilities in the statement of net position. .... |  | (4,379) |
|--|--|---------|

|  |  |        |
|--|--|--------|
| Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the statement of activities, interest expense is recognized as interest accrues, regardless of when it is due. .... |  | 15,817 |
|--|--|--------|

|   |  |           |
|---|--|-----------|
| Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position..... |  | 1,410,000 |
|---|--|-----------|

|  |  |          |
|--|--|----------|
| Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds . |  | (71,296) |
|--|--|----------|

|   |  |        |
|---|--|--------|
| An internal service fund is used by management to charge the costs of dental insurance to individual funds. The change in net position of the internal service fund is reported in governmental activities in the statement of activities. .... |  | 10,346 |
|---|--|--------|

|  |  |           |
|--|--|-----------|
| The current year District employer share of IPERS contributions is reported as expenditures in the governmental funds, but is reported as a deferred outflow of resources in the statement of net position. .... |  | 1,275,793 |
|--|--|-----------|

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

|                         |                  |                  |
|-------------------------|------------------|------------------|
| Early retirement.....   | \$ (80,687)      |                  |
| Net OPEB liability..... | 5,310            |                  |
| Pension expense.....    | <u>(624,983)</u> | <u>(700,360)</u> |

|  |  |                            |
|--|--|----------------------------|
| <b>Change in Net Position of Governmental Activities (Page 18) .....</b> |  | <b><u>\$ 3,057,872</u></b> |
|--|--|----------------------------|

## Statement of Net Position - Proprietary Funds

As of June 30, 2015

|  | <b>Nonmajor<br/>Enterprise<br/>School<br/>Nutrition</b> | <b>Internal<br/>Service<br/>Self-<br/>Insurance</b> |
|--|---|---|
| <b>Assets and Deferred Outflows of Resources</b>                                   |   |   |
| <b>Current Assets</b>  |   |   |
| Cash, cash equivalents and investments .....                                       | \$ 395,061  | \$ 65,107   |
| Accounts receivable .....  | 14,711  | —   |
| Inventories .....  | 29,325  | —   |
| <b>Total Current Assets</b> .....  | <b><u>439,097</u></b>                                   | <b><u>65,107</u></b>                                |
| <b>Capital Assets, Net of Accumulated Depreciation</b> .....                       | <b><u>87,983</u></b>                                    | <b><u>—</u></b>                                     |
| <b>Total Assets</b> .....  | <b><u>527,080</u></b>                                   | <b><u>65,107</u></b>                                |
| <b>Deferred Outflows of Resources</b>  |   |   |
| Pension-related deferred outflows .....  | <b><u>30,487</u></b>                                    | <b><u>—</u></b>                                     |
| <b>Total Assets and Deferred Outflows of Resources</b> .....                       | <b><u>\$ 557,567</u></b>                                | <b><u>\$ 65,107</u></b>                             |
| <b>Liabilities, Deferred Inflows of Resources and<br/>Net Position</b>             |   |   |
| <b>Current Liabilities</b>   |   |   |
| Accounts payable .....   | \$ 687  | \$ 1,735  |
| Salaries and benefits payable .....  | 1,293   | —   |
| Premiums received in advance .....   | —   | 6,620   |
| <b>Total Current Liabilities</b> .....   | <b><u>1,980</u></b>                                     | <b><u>8,355</u></b>                                 |
| <b>Net Pension Liability</b> .....   | <b><u>150,682</u></b>                                   | <b><u>—</u></b>                                     |
| <b>Total Liabilities</b> .....   | <b><u>152,662</u></b>                                   | <b><u>8,355</u></b>                                 |
| <b>Deferred Inflows of Resources</b>   |   |   |
| Pension-related deferred inflows .....   | <b><u>60,050</u></b>                                    | <b><u>—</u></b>                                     |
| <b>Net Position</b>  |   |   |
| Investment in capital assets .....   | 87,983  | —   |
| Unrestricted .....   | <u>256,872</u>  | <u>56,752</u>                                       |
| <b>Total Net Position</b> .....  | <b><u>344,855</u></b>                                   | <b><u>56,752</u></b>                                |
| <b>Total Liabilities, Deferred Inflows of Resources<br/>and Net Position</b> ..... | <b><u>\$ 557,567</u></b>                                | <b><u>\$ 65,107</u></b>                             |

See accompanying notes to the financial statements.

# Statement of Revenue, Expenses and Changes in Fund Net Position - Proprietary Funds

Year Ended June 30, 2015

|   | <b>Nonmajor<br/>Enterprise<br/>School<br/>Nutrition</b> | <b>Internal<br/>Service<br/>Self-<br/>Insurance</b> |
|---|---|---|
| <b>Operating Revenue</b>                                      |   |   |
| Local Sources   |   |   |
| Charges for service .....                                     | \$ 362,100  | \$ —  |
| Self-insurance contributions .....                            | —   | 79,223  |
| <b>Total Operating Revenue .....</b>                          | <b><u>362,100</u></b>                                   | <b><u>79,223</u></b>                                |
| <b>Operating Expenses</b>                                     |   |   |
| Noninstructional Programs                                     |   |   |
| Food Service Operations                                       |   |   |
| Salaries and benefits .....                                   | 289,521   | —   |
| Purchased services .....                                      | 10,787  | —   |
| Supplies and other .....                                      | 491,612   | —   |
| Depreciation .....  | 27,645  | —   |
| Self-insurance claims and fees .....                          | —   | 68,877  |
| <b>Total Operating Expenses .....</b>                         | <b><u>819,565</u></b>                                   | <b><u>68,877</u></b>                                |
| <b>Income (Loss) From Operations .....</b>                    | <b><u>(457,465)</u></b>                                 | <b><u>10,346</u></b>                                |
| <b>Nonoperating Revenue</b>                                   |   |   |
| State sources .....   | 7,459   | —   |
| Federal sources .....   | 505,806   | —   |
| Interest on investments .....                                 | 9   | —   |
| Insurance proceeds .....                                      | 13,460  | —   |
| <b>Total Nonoperating Revenue .....</b>                       | <b><u>526,734</u></b>                                   | <b><u>—</u></b>                                     |
| <b>Change in Net Position .....</b>                           | <b>69,269</b>   | <b>10,346</b>                                       |
| Net Position - Beginning of Year, as restated (Note 19) ..... | <u>275,586</u>  | <u>46,406</u>                                       |
| <b>Net Position - End of Year .....</b>                       | <b><u>\$ 344,855</u></b>                                | <b><u>\$ 56,752</u></b>                             |

See accompanying notes to the financial statements.

## Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2015

|   | <b>Nonmajor<br/>Enterprise Fund<br/>School<br/>Nutrition</b> | <b>Internal<br/>Service Fund<br/>Self-Insurance<br/>Fund</b> |
|---|--|--|
| <b>Cash Flows From Operating Activities</b>   |  |  |
| Cash received from sale of lunches and breakfasts.....  | \$ 360,849   | \$ —   |
| Cash received from assessments made to other funds .....  | —  | 79,150   |
| Cash paid to employees for services .....   | (313,295)  | —  |
| Cash paid to suppliers for goods and services.....  | (440,434)  | —  |
| Cash paid for self-insurance claims and fees.....   | —  | (71,626)   |
| <b>Net Cash Provided by (Used in) Operating Activities .....</b>  | <b><u>(392,880)</u></b>                                      | <b><u>7,524</u></b>  |
| <b>Cash Flows From Noncapital Financing Activities</b>  |  |  |
| State grants received.....  | 7,459  | —  |
| Federal grants received.....  | 426,875  | —  |
| <b>Net Cash Provided by Noncapital Financing Activities ....</b>  | <b><u>434,334</u></b>  | <b><u>—</u></b>  |
| <b>Cash Flows From Investment Activities</b>  |  |  |
| Interest on investments .....   | 9  | —  |
| <b>Cash Flows From Capital and Related Financing Activities</b>   |  |  |
| Acquisition of capital assets.....  | (1,600)  | —  |
| <b>Net Increase in Cash and Cash Equivalents.....</b>   | <b>39,863</b>  | <b>7,524</b>   |
| Cash and Cash Equivalents - Beginning of Year .....   | 355,198  | 57,583   |
| <b>Cash and Cash Equivalents - End of Year .....</b>  | <b><u>\$ 395,061</u></b>                                     | <b><u>\$ 65,107</u></b>                                      |
| <b>Reconciliation of Income (Loss) From Operations to<br/>Net Cash Provided by (Used in) Operating Activities</b> |  |  |
| Income (loss) from operations.....  | \$ (457,465)   | \$ 10,346  |
| Adjustments to Reconcile Income (Loss) From Operations<br>to Net Cash Provided by (Used in) Operating Activities  |  |  |
| Commodities used.....   | 73,795   | —  |
| Depreciation .....  | 27,645   | —  |
| Changes in Assets and Liabilities   |  |  |
| Increase in receivables .....   | (1,251)  | —  |
| Increase in inventories.....  | (11,617)   | —  |
| Increase in pension-related deferred outflows .....   | (8,285)  | —  |
| Decrease in accounts payable.....   | (213)  | (2,749)  |
| Decrease in salaries and benefits payable .....   | (12,249)   | —  |
| Decrease in premiums received in advance .....  | —  | (73)   |
| Decrease in net pension liability .....   | (63,290)   | —  |
| Increase in pension-related deferred inflows .....  | 60,050   | —  |
| <b>Net Cash Provided by (Used in) Operating Activities .....</b>  | <b><u>\$ (392,880)</u></b>                                   | <b><u>\$ 7,524</u></b>                                       |

### Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2015, the District received \$78,931 of federal commodities.

## Statement of Fiduciary Net Position - Fiduciary Fund

---

As of June 30, 2015

|  | <b>Private<br/>Purpose<br/>Trust<br/>Scholarship</b> |
|--|--|
| <b>Assets</b>                                |  |
| Cash, Cash Equivalents and Investments ..... | <b><u>\$ 172,577</u></b>                             |
| <b>Net Position</b>                          |  |
| Reserved for Scholarships.....               | <b><u>\$ 172,577</u></b>                             |

## Statement of Changes in Fiduciary Net Position - Fiduciary Fund

Year Ended June 30, 2015

|   | Private<br>Purpose<br>Trust<br>Scholarship |
|---|--|
| <b>Additions</b>                                |  |
| Local Sources                                   |  |
| Gifts and contributions .....                   | \$ 7,503                                   |
| Interest income .....                           | 20   |
| <b>Total Additions</b> .....                    | <b><u>7,523</u></b>                        |
| <b>Deductions</b>                               |  |
| Instruction                                     |  |
| Regular   |  |
| Scholarships awarded and other deductions ..... | <b><u>1,732</u></b>                        |
| <b>Change in Net Position</b> .....             | <b>5,791</b>                               |
| Net Position - Beginning of Year .....          | <u>166,786</u>                             |
| <b>Net Position - End of Year</b> .....         | <b><u>\$ 172,577</u></b>                   |



# Notes to the Financial Statements

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## **(1) Summary of Significant Accounting Policies**

Boone Community School District is a political subdivision of the State of Iowa and operates a preschool and public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Boone, Iowa, and the predominate agricultural territory in Boone County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

### **Reporting Entity**

For financial reporting purposes, Boone Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The component unit discussed below meets this criteria because of the significance of its operational or financial relationship with the District; however, it has not been included in the District's financial statements.

### **Excluded Component Unit**

The Boone Educational Endowment Foundation is a legally separate entity, organized as a charitable organization under Chapter 501(c)(3) of the Internal Revenue Code. The Foundation's primary purpose is to collect funds and provide financial support for activities of Boone Community School District. The Foundation is governed by a six-member Board of Directors. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented; however, the Foundation's financial information was not made available to the District; therefore, such information has been excluded from the District's financial statements.

### **Jointly Governed Organization**

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Boone County Assessor's Conference Board.

### **Basis of Presentation**

#### ***Government-Wide Financial Statements***

The statement of net position and the statement of activities report information on all the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

### (1) Summary of Significant Accounting Policies

The statement of net position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenue are reported instead as general revenue.

#### **Fund Financial Statements**

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

*The General Fund* is the general operating fund of the District. All general tax revenue and other revenue not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

*The Debt Service Fund* is utilized to account for property tax and other revenue to be used for the payment of interest and principal on the District's general long-term debt.

*The Capital Projects Fund* is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's proprietary funds are the School Nutrition Fund, an enterprise fund, used to account for the food service operations of the District and the Self-Insurance Fund, an internal service fund, used to account for the self-funded dental insurance plan operated by the District.

### (1) Summary of Significant Accounting Policies

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund is the *Private Purpose Trust Fund*, used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### **Measurement Focus and Basis of Accounting**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days after year end.

Property tax, intergovernmental revenue (shared revenue, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenue. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenue.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

# Notes to the Financial Statements

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## **(1) Summary of Significant Accounting Policies**

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

### **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

#### ***Cash, Cash Equivalents and Pooled Investments***

The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and nonnegotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

#### ***Property Tax Receivable***

Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

#### ***Due From Other Governments***

Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

#### ***Inventories***

Inventories are valued at cost using the first-in, first-out (FIFO) method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

#### ***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements on the consumption method.

## Notes to the Financial Statements

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### (1) Summary of Significant Accounting Policies

#### **Capital Assets**

Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets as of June 30, 2015. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

|                                       |          |
|---------------------------------------|----------|
| Land.....                             | \$ 5,000 |
| Buildings and improvements .....      | 5,000    |
| Intangibles.....                      | 50,000   |
| Furniture and Equipment               |          |
| School Nutrition Fund equipment ..... | 500      |
| Other furniture and equipment.....    | 5,000    |

Capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

|                                       |               |
|---------------------------------------|---------------|
| Buildings and improvements .....      | 20 - 50 Years |
| Intangibles.....                      | 5 - 10 Years  |
| Furniture and Equipment               |               |
| School Nutrition Fund equipment ..... | 12 Years      |
| Other furniture and equipment.....    | 10 Years      |

#### **Deferred Outflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

#### **Salaries and Benefits Payable**

Payroll and related expenditures for teachers and staff with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

#### **Compensated Absences**

District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District had no compensated absences liability as of June 30, 2015.

#### **Long-Term Liabilities**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net position.

### (1) Summary of Significant Accounting Policies

#### ***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### ***Deferred Inflows of Resources***

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax and income surtax receivable not collected within 60 days after year end.

Deferred inflows of resources in the statement of net position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

#### ***Fund Balances***

In the governmental fund financial statements, fund balances are classified as follows:

**Nonspendable** - Amounts which cannot be spent because they are in nonspendable form.

**Restricted** - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

**Unassigned** - All amounts not included in the preceding classifications.

#### **Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

## Notes to the Financial Statements

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### (2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks as of June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

As of June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at amortized cost of \$10,098,888, pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

### (3) Due From and Due to Other Funds

The detail of interfund receivables and payables as of June 30, 2015 is as follows:

| Receivable Fund  | Payable Fund | Amount                 |
|------------------|--------------|------------------------|
| Capital Projects | General      | \$ 2,000               |
|                  | Debt Service | <u>5,679</u>           |
|                  |              | <u><b>\$ 7,679</b></u> |

The General and Debt Service Funds are repaying the Capital Projects Fund for various expenses not reimbursed before year end. The balances are to be repaid by June 30, 2016.

### (4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

| Transfer To  | Transfer From    | Amount       |
|--------------|------------------|--------------|
| Debt Service | Capital Projects | \$ 1,159,813 |

Transfers generally move revenue from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

## Notes to the Financial Statements

### (5) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

|  | Balance -<br>Beginning<br>of Year | Increases                  | Decreases                | Balance -<br>End of Year    |
|--|-----------------------------------|----------------------------|--------------------------|-----------------------------|
| <b>Governmental Activities</b>                       |                                   |                            |                          |                             |
| Capital Assets Not Being Depreciated                 |                                   |                            |                          |                             |
| Land.....  | \$ 319,432                        | \$ —                       | \$ —                     | \$ 319,432                  |
| Construction in progress .....                       | <u>14,622,766</u>                 | <u>6,130,423</u>           | <u>—</u>                 | <u>20,753,189</u>           |
| Total Capital Assets Not Being<br>Depreciated.....   | <u>14,942,198</u>                 | <u>6,130,423</u>           | <u>—</u>                 | <u>21,072,621</u>           |
| Capital Assets Being Depreciated                     |                                   |                            |                          |                             |
| Buildings and improvements .....                     | 32,659,190                        | 164,458                    | 164,899                  | 32,658,749                  |
| Furniture and equipment .....                        | <u>2,274,282</u>                  | <u>43,596</u>              | <u>12,000</u>            | <u>2,305,878</u>            |
| Total Capital Assets Being<br>Depreciated.....       | <u>34,933,472</u>                 | <u>208,054</u>             | <u>176,899</u>           | <u>34,964,627</u>           |
| Less Accumulated Depreciation for                    |                                   |                            |                          |                             |
| Buildings and improvements .....                     | 9,978,491                         | 617,057                    | 57,715                   | 10,537,833                  |
| Furniture and equipment .....                        | <u>1,567,225</u>                  | <u>164,928</u>             | <u>12,000</u>            | <u>1,720,153</u>            |
| Total Accumulated Depreciation...                    | <u>11,545,716</u>                 | <u>781,985</u>             | <u>69,715</u>            | <u>12,257,986</u>           |
| Total Capital Assets Being<br>Depreciated, Net ..... | <u>23,387,756</u>                 | <u>(573,931)</u>           | <u>107,184</u>           | <u>22,706,641</u>           |
| <b>Governmental Activities</b>                       |                                   |                            |                          |                             |
| <b>Capital Assets, Net .....</b>                     | <b><u>\$ 38,329,954</u></b>       | <b><u>\$ 5,556,492</u></b> | <b><u>\$ 107,184</u></b> | <b><u>\$ 43,779,262</u></b> |
| <b>Business-Type Activities</b>                      |                                   |                            |                          |                             |
| Furniture and equipment .....                        | \$ 368,167                        | \$ 1,600                   | \$ —                     | \$ 369,767                  |
| Less accumulated depreciation .....                  | <u>254,139</u>                    | <u>27,645</u>              | <u>—</u>                 | <u>281,784</u>              |
| <b>Business-Type Activities</b>                      |                                   |                            |                          |                             |
| <b>Capital Assets, Net.....</b>                      | <b><u>\$ 114,028</u></b>          | <b><u>\$ (26,045)</u></b>  | <b><u>\$ —</u></b>       | <b><u>\$ 87,983</u></b>     |

Depreciation expense was charged to the following functions:

#### Governmental Activities

|   |                          |
|---|--------------------------|
| Instruction   |                          |
| Regular .....   | \$ 660,708               |
| Other.....  | 18,744                   |
| Support Services  |                          |
| Administration .....  | 23,716                   |
| Operation and maintenance of plant .....                          | 17,291                   |
| Transportation.....   | <u>56,776</u>            |
| Subtotal.....   | <u>777,235</u>           |
| Unallocated .....   | <u>4,750</u>             |
| <b>Total Depreciation Expense - Governmental Activities .....</b> | <b><u>\$ 781,985</u></b> |

#### Business-Type Activities

|                              |                         |
|------------------------------|-------------------------|
| Food Service Operations..... | <b><u>\$ 27,645</u></b> |
|------------------------------|-------------------------|



## Notes to the Financial Statements

### (6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

| General Activities                      | Balance -<br>Beginning<br>of Year<br>(Restated) | Additions         | Reductions          | Balance -<br>End of Year | Due Within<br>One Year |
|---|---|-------------------|---------------------|--------------------------|------------------------|
| General obligation bonds \$             | 22,940,000                                      | \$ —              | \$ 755,000          | \$ 22,185,000            | \$ 1,020,000           |
| Revenue bonds .....                     | 13,210,000                                      | —                 | 655,000             | 12,555,000               | 665,000                |
| Unamortized premium<br>on bonds payable | 280,863   | —                 | 20,659              | 260,204                  | —                      |
| Early retirement .....                  | —   | 80,687            | —                   | 80,687                   | 80,687                 |
| Net pension liability.                  | 12,083,265                                      | —                 | 3,574,049           | 8,509,216                | —                      |
| Net OPEB liability ...                  | 328,310   | 126,690           | 132,000             | 323,000                  | —                      |
| <b>Total .....</b>                      | <b>\$ 48,842,438</b>                            | <b>\$ 207,377</b> | <b>\$ 5,136,708</b> | <b>\$ 43,913,107</b>     | <b>\$ 1,765,687</b>    |
| <b>Business-Type Activities</b>         |   |                   |                     |                          |                        |
| Net pension liability.                  | \$ 213,972                                      | \$ —              | \$ 63,290           | \$ 150,682               | \$ —                   |

### General Obligation Bonds

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

| Bonds Issued December 22, 2009 |                       |                     | Bonds Issued March 1, 2011 |                     |                     |
|--------------------------------|-----------------------|---------------------|----------------------------|---------------------|---------------------|
| Interest<br>Rates              | Principal             | Interest            | Interest<br>Rates          | Principal           | Interest            |
| 2016 .....                     | 3.50% \$ 545,000      | \$ 193,850          | 1.80% \$ 125,000           | \$ 58,710           |                     |
| 2017 .....                     | 3.50 565,000          | 174,775             | 2.10 125,000               | 56,460              |                     |
| 2018 .....                     | 4.00 585,000          | 155,000             | 2.40 125,000               | 53,835              |                     |
| 2019 .....                     | 4.00 610,000          | 131,600             | 2.60 130,000               | 50,835              |                     |
| 2020 .....                     | 4.00 635,000          | 107,200             | 2.75 130,000               | 47,455              |                     |
| 2021-2025 .....                | 4.00 2,045,000        | 165,800             | 2.85 - 3.45 1,325,000      | 150,510             |                     |
| 2026-2030 .....                | — —                   | —                   | — —                        | —                   |                     |
| 2031-2032 .....                | — —                   | —                   | — —                        | —                   |                     |
| <b>Total</b>                   | <b>\$ 4,985,000</b>   | <b>\$ 928,225</b>   |                            | <b>\$ 1,960,000</b> | <b>\$ 417,805</b>   |
| Bonds Issued May 1, 2012       |                       |                     | Bonds Issued May 1, 2013   |                     |                     |
| Interest<br>Rates              | Principal             | Interest            | Interest<br>Rates          | Principal           | Interest            |
| 2016 .....                     | 2.00% \$ 100,000      | \$ 269,288          | 2.00% \$ 250,000           | \$ 141,658          |                     |
| 2017 .....                     | 2.00 100,000          | 267,288             | 2.00 260,000               | 136,657             |                     |
| 2018 .....                     | 2.00 100,000          | 265,288             | 2.00 265,000               | 131,458             |                     |
| 2019 .....                     | 2.00 100,000          | 263,288             | 2.00 265,000               | 126,157             |                     |
| 2020 .....                     | 2.00 100,000          | 261,288             | 2.00 275,000               | 120,857             |                     |
| 2021-2025 .....                | 2.25 - 2.60 1,275,000 | 1,273,190           | 2.00 1,630,000             | 518,990             |                     |
| 2026-2030 .....                | 3.00 - 3.10 4,755,000 | 857,540             | 2.15 - 2.75 2,530,000      | 299,715             |                     |
| 2031-2032 .....                | 3.20 - 3.25 2,585,000 | 126,776             | 3.00 650,000               | 28,650              |                     |
| <b>Total</b>                   | <b>\$ 9,115,000</b>   | <b>\$ 3,583,946</b> |                            | <b>\$ 6,125,000</b> | <b>\$ 1,504,142</b> |
| Total                          |                       |                     |                            |                     |                     |
|                                | Principal             | Interest            |                            |                     |                     |
| 2016 .....                     | \$ 1,020,000          | \$ 663,506          |                            |                     |                     |
| 2017 .....                     | 1,050,000             | 635,180             |                            |                     |                     |
| 2018 .....                     | 1,075,000             | 605,581             |                            |                     |                     |
| 2019 .....                     | 1,105,000             | 571,880             |                            |                     |                     |
| 2020 .....                     | 1,140,000             | 536,800             |                            |                     |                     |
| 2021-2025 .....                | 6,275,000             | 2,108,490           |                            |                     |                     |
| 2026-2030 .....                | 7,285,000             | 1,157,255           |                            |                     |                     |
| 2031-2032 .....                | 3,235,000             | 155,426             |                            |                     |                     |
| <b>Total</b>                   | <b>\$ 22,185,000</b>  | <b>\$ 6,434,118</b> |                            |                     |                     |

## Notes to the Financial Statements

### (6) Long-Term Liabilities

#### Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

| June 30,           | Bonds Issued August 1, 2009 |                            |                            | Bonds Issued December 1, 2011 |                            |                            | Total                       |                            |
|--------------------|-----------------------------|----------------------------|----------------------------|-------------------------------|----------------------------|----------------------------|-----------------------------|----------------------------|
|                    | Interest Rates              | Principal                  | Interest                   | Interest Rates                | Principal                  | Interest                   | Principal                   | Interest                   |
| 2016 .....         | 4.000%                      | \$ 370,000                 | \$ 342,040                 | 2.00%                         | \$ 295,000                 | \$ 139,423                 | \$ 665,000                  | \$ 481,463                 |
| 2017 .....         | 4.000                       | 380,000                    | 327,040                    | 2.00                          | 300,000                    | 133,473                    | 680,000                     | 460,513                    |
| 2018 .....         | 4.000                       | 385,000                    | 311,740                    | 2.00                          | 305,000                    | 127,423                    | 690,000                     | 439,163                    |
| 2019 .....         | 4.125                       | 395,000                    | 295,893                    | 2.25                          | 310,000                    | 120,885                    | 705,000                     | 416,778                    |
| 2020 .....         | 4.300                       | 405,000                    | 279,039                    | 2.25                          | 320,000                    | 113,798                    | 725,000                     | 392,837                    |
| 2021-2025          | 4.500 - 5.000               | 2,355,000                  | 1,089,106                  | 2.25 - 2.85                   | 1,710,000                  | 448,274                    | 4,065,000                   | 1,537,380                  |
| 2026-2030          | 5.000 - 5.300               | 3,055,000                  | 418,600                    | 3.15 - 3.55                   | 1,970,000                  | 173,433                    | 5,025,000                   | 592,033                    |
| <b>Total .....</b> |                             | <b><u>\$ 7,345,000</u></b> | <b><u>\$ 3,063,458</u></b> |                               | <b><u>\$ 5,210,000</u></b> | <b><u>\$ 1,256,709</u></b> | <b><u>\$ 12,555,000</u></b> | <b><u>\$ 4,320,167</u></b> |

The District has pledged future statewide sales, services and use tax revenue to repay the \$14,710,000 of bonds issued in August, 2009 and December, 2011. The bonds were issued for the purpose of financing a portion of the costs of an addition at the Middle School, an addition and remodeling at Franklin Elementary and additions and renovations at Boone High School. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through July, 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 58% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$16,875,167. For the current year, principal of \$655,000 and interest of \$502,013 was paid on the bonds and total statewide sales, services and use tax revenue was \$2,070,193.

The resolutions providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- For the Series 2009 bonds, \$748,840 and for the Series 2011 bonds, \$438,173 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District did comply with all the revenue bond provisions during the year ended June 30, 2015.

## Notes to the Financial Statements

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### (7) Operating Leases

The District leases several copiers with terms of four years. The District leases facilities within the area to house its home school. These leases have been classified as operating leases and, accordingly, all rents are recorded as expenditures when incurred. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by years of future minimum rental payments required under operating leases which have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2015.

#### Year Ending June 30,

|            |                  |
|------------|------------------|
| 2016 ..... | \$ 25,560        |
| 2017 ..... | 25,560           |
| 2018 ..... | 25,560           |
| 2019 ..... | 12,780           |
|            | <u>\$ 89,460</u> |

Total rental expenditures for the year ended June 30, 2015 for all operating leases, except those with terms of a month or less that were not renewed, were \$46,497.

### (8) Pension and Retirement Benefits

#### Plan Description

IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

#### Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

### **(8) Pension and Retirement Benefits**

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July, 1990 receive a guaranteed dividend with their regular November benefit payments.

#### **Disability and Death Benefits**

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

#### **Contributions**

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to one percentage point. IPERS' Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95% of pay and the District contributed 8.93% for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2015 were \$1,275,793.

#### **Net Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2015, the District reported a liability of \$8,659,898 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. As of June 30, 2014, the District's proportion was 0.213979% which was a decrease of 0.003210% from its proportion measured as of June 30, 2013.

## Notes to the Financial Statements

### (8) Pension and Retirement Benefits

For the year ended June 30, 2015, the District recognized pension expense of \$613,458. As of June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience .....   | \$ 94,116                            | \$ —                                |
| Changes of assumptions .....   | 382,181                              | —                                   |
| Net difference between projected and actual earnings<br>on pension plan investments.....                               | —                                    | 3,302,636                           |
| Changes in proportion and differences between District<br>contributions and proportionate share of contributions ..... | —                                    | 148,499                             |
| District contributions subsequent to the measurement date.....   | 1,275,793                            | —                                   |
| <b>Total .....</b>   | <b><u>\$ 1,752,090</u></b>           | <b><u>\$ 3,451,135</u></b>          |

\$1,275,793 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### Year Ending June 30,

|                    |                              |
|--------------------|------------------------------|
| 2016 .....         | \$ (749,071)                 |
| 2017 .....         | (749,071)                    |
| 2018 .....         | (749,071)                    |
| 2019 .....         | (749,071)                    |
| 2020 .....         | 21,446                       |
| <b>Total .....</b> | <b><u>\$ (2,974,838)</u></b> |

#### Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|   |  |
|---|--|
| Rate of inflation (effective June 30, 2014)         | 3%   |
| Salary increases (effective June 30, 2014)          | 4%, average, including inflation   |
| Investment rate of return (effective June 30, 1996) | 7.5% per annum, compounded annually, net of pension plan investment expense, including inflation |

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

## Notes to the Financial Statements

### (8) Pension and Retirement Benefits

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class            | Asset Allocation   | Long-Term Expected Real Rate of Return |
|------------------------|--------------------|--|
| US Equity              | 23%                | 6.31%                                  |
| Non-US Equity          | 15                 | 6.76                                   |
| Private Equity         | 13                 | 11.34                                  |
| Real Estate            | 8                  | 3.52                                   |
| Core Plus Fixed Income | 28                 | 2.06                                   |
| Credit Opportunities   | 5                  | 3.67                                   |
| TIPS                   | 5                  | 1.92                                   |
| Other Real Assets      | 2                  | 6.27                                   |
| Cash                   | 1                  | (0.69)                                 |
| <b>Total</b>           | <b><u>100%</u></b> |  |

#### Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

|  | 1% Decrease<br>(6.5%) | Discount Rate<br>(7.5%) | 1% Increase<br>(8.5%) |
|--|-----------------------|-------------------------|-----------------------|
| District's proportionate share<br>of the net pension liability | \$ 16,362,635         | \$ 8,659,898            | \$ 2,157,991          |

#### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

## Notes to the Financial Statements

### (8) Pension and Retirement Benefits

#### Payables to the Pension Plan

As of June 30, 2015, the District had no material payables to the defined benefit pension plan for legally required employer contributions or legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

### (9) Other Postemployment Benefits (OPEB)

#### Plan Description

The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employee, retirees and their spouses. There are 199 active and 13 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy and an OPEB liability.

#### Funding Policy

The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

#### Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

|   |                   |
|---|-------------------|
| Annual required contribution.....               | \$ 126,000        |
| Interest on net OPEB obligation.....            | 13,000            |
| Adjustment to annual required contribution..... | (12,310)          |
| Annual OPEB Cost .....                          | 126,690           |
| Contributions made .....                        | (132,000)         |
| Decrease in Net OPEB Obligation.....            | (5,310)           |
| Net OPEB Obligation - Beginning of Year.....    | 328,310           |
| Net OPEB Obligation - End of Year .....         | <u>\$ 323,000</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end-of-year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$132,000 to the medical plan. Plan members eligible for benefits did not contribute a material amount of the premium costs.

## Notes to the Financial Statements

### (9) Other Postemployment Benefits (OPEB)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

| Year Ended    | Annual<br>OPEB Cost | Percentage of<br>Annual OPEB<br>Cost Contributed | Net OPEB<br>Obligation |
|---------------|---------------------|--|------------------------|
| June 30, 2013 | \$ 178,000          | 43.3%  | \$ 265,000             |
| June 30, 2014 | 178,310             | 64.5   | 328,310                |
| June 30, 2015 | 126,690             | 104.2  | 323,000                |

#### Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date for the period of July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,331,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,331,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$12,091,000, and the ratio of the UAAL to the covered payroll was 11%. As of June 30, 2015, there were no trust fund assets.

#### Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress for the retiree health plan, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions includes a 4% discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced by 0.5% each year until reaching the 4.5% ultimate trend rate. An inflation rate of 3.5% is assumed for the purpose of this computation.

Mortality rates are from the RP2014 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2014 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2014.

Projected claim costs of the medical plan range from \$675 to \$792 per month for retirees age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.



### **(10) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **(11) Area Education Agency Support**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$889,274 for the year ended June 30, 2015, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### **(12) Early Retirement**

The District offered a voluntary early retirement plan to its employees during the year ended June 30, 2015. Eligible employees must have completed at least 15 years of full-time service to the District as a licensed employee and must have reached age 55 by the start of the following school year. The employee must also meet the "rule of 74" by the start of the following school year. The "rule of 74" is met when the employee's age plus years of service as a licensed employee in the District equal at least 74. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits are equal to 20% of the employee's regular contractual salary in effect during the employee's last year of regular employment with a maximum benefit of \$15,000. As of June 30, 2015, the District has obligations to six participants with a total liability of \$80,687. The benefits are scheduled to be paid in January, 2016.

### **(13) Contingent Liability for Sick Leave Time**

District employees accumulate sick leave hours for subsequent use. These accumulations do not vest and, therefore, are not recognized as liabilities of the District until used by employees. The District's contingent liability for employee sick leave as of June 30, 2015 was approximately \$1,913,000.

### **(14) Employee Dental Plan**

The District currently sponsors a self-funded dental plan. Under this plan, employees contribute a portion of their compensation and retirees and COBRA participants contribute the total cost of maintaining the plan. The District contracts with an insurance company to administer the plan.

The District has established an Internal Service Fund to account for these activities to facilitate accountability and management control.

## Notes to the Financial Statements

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### (14) Employee Dental Plan

The following is a summary of the claims activity for the year ended June 30, 2015:

|   |                        |
|---|------------------------|
| Estimated claims incurred but not reported - June 30, 2014 .....  | \$ 4,484               |
| Claims incurred and reported and estimated costs incurred but not reported for<br>the year ended June 30, 2015..... | 66,128                 |
| Claims paid during the year ended June 30, 2015.....  | (68,877)               |
| <b>Estimated Claims Incurred But Not Reported - June 30, 2015 .....</b>   | <b><u>\$ 1,735</u></b> |

### (15) Categorical Funding

The District's restricted fund balance for categorical funding as of June 30, 2015 is comprised of the following programs:

| <b>Program</b>  | <b>Amount</b>            |
|---|--------------------------|
| Home school assistance program.....                     | \$ 39,999                |
| Gifted and talented program .....                       | 141,599                  |
| Returning dropout and dropout prevention program .....  | 130,005                  |
| Statewide voluntary four-year-old preschool.....        | 149,142                  |
| Beginning teacher mentoring and induction .....         | 7,240                    |
| Teacher salary supplement .....                         | 15,598                   |
| Market factor project.....                              | 181                      |
| Textbook aid for nonpublic students .....               | 5,174                    |
| Successful progression for early readers.....           | 17,221                   |
| Educator quality, professional development .....        | 8,535                    |
| Professional development for model core curriculum..... | 35,734                   |
| Teacher leadership grant.....                           | 1,039                    |
|   | <b><u>\$ 551,467</u></b> |

### (16) Insurance Recovery

The District's School Nutrition Fund received \$13,460 from its insurance carrier to replace food inventory that was lost due to a thermometer malfunction in a newly installed freezer at the high school.

### (17) Construction Commitment

The District has entered into various contracts totaling approximately \$21,204,000 for additions and remodeling of the high school. As of June 30, 2015, costs of \$20,407,000 had been incurred against the contracts. The balance of \$797,000 remaining as of June 30, 2015 will be incurred as work on the project progresses.

## Notes to the Financial Statements

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### (18) Subsequent Events

Management has evaluated events through November 24, 2015, the date which the financial statements were available to be issued.

Subsequent to June 30, 2015, the District approved the redemption of the outstanding General Obligation School Refunding Bonds, Series 2011, and the sale of General Obligation School Refunding Bonds, Series 2015, in the amount of \$2,009,000.

### (19) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and for changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business-type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

|   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> |
|---|------------------------------------|-------------------------------------|
| Net position - June 30, 2014, as previously reported .....  | \$ 18,617,219                      | \$ 467,355                          |
| Net pension liability as of June 30, 2014.....  | (12,083,265)                       | (213,972)                           |
| Deferred outflows of resources related to contributions made<br>after the June 30, 2013 measurement date..... | 1,253,757                          | 22,203                              |
| <b>Net Position - July 1, 2014, as Restated.....</b>  | <b><u>\$ 7,787,711</u></b>         | <b><u>\$ 275,586</u></b>            |

**Required Supplementary Information**

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# Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Fund

Year Ended June 30, 2015

|  | <u>Actual</u>                       |                             |                             | <u>Budgeted Amounts</u>    |                            | <u>Over<br/>(Under)<br/>Budget</u> |
|--|-------------------------------------|-----------------------------|-----------------------------|----------------------------|----------------------------|------------------------------------|
|  | <u>Govern-<br/>mental<br/>Funds</u> | <u>Proprietary<br/>Fund</u> | <u>Total</u>                | <u>Original</u>            | <u>Final</u>               |                                    |
| <b>Revenue</b>   |                                     |                             |                             |                            |                            |                                    |
| Local sources .....  | \$ 11,092,737                       | \$ 362,109                  | \$ 11,454,846               | \$ 13,123,771              | \$ 13,123,771              | \$ (1,668,925)                     |
| State sources .....  | 16,473,564                          | 7,459                       | 16,481,023                  | 14,451,371                 | 14,451,371                 | 2,029,652                          |
| Federal sources .....  | 855,529                             | 505,806                     | 1,361,335                   | 1,446,462                  | 1,446,462                  | (85,127)                           |
| <b>Total Revenue.....</b>  | <b><u>28,421,830</u></b>            | <b><u>875,374</u></b>       | <b><u>29,297,204</u></b>    | <b><u>29,021,604</u></b>   | <b><u>29,021,604</u></b>   | <b><u>275,600</u></b>              |
| <b>Expenditures/Expenses</b>   |                                     |                             |                             |                            |                            |                                    |
| Instruction.....   | 16,001,841                          | —                           | 16,001,841                  | 16,960,829                 | 16,960,829                 | (958,988)                          |
| Support services .....   | 6,953,218                           | —                           | 6,953,218                   | 7,366,500                  | 7,623,500                  | (670,282)                          |
| Noninstructional programs  | —                                   | 819,565                     | 819,565                     | 1,100,000                  | 1,100,000                  | (280,435)                          |
| Other expenditures.....  | 9,869,957                           | —                           | 9,869,957                   | 11,134,134                 | 11,134,134                 | (1,264,177)                        |
| <b>Total Expenditures/<br/>Expenses .....</b>  | <b><u>32,825,016</u></b>            | <b><u>819,565</u></b>       | <b><u>33,644,581</u></b>    | <b><u>36,561,463</u></b>   | <b><u>36,818,463</u></b>   | <b><u>(3,173,882)</u></b>          |
| <b>Revenue Over (Under)<br/>Expenditures/Expenses....</b>  | <b>(4,403,186)</b>                  | <b>55,809</b>               | <b>(4,347,377)</b>          | <b>(7,539,859)</b>         | <b>(7,796,859)</b>         | <b>3,449,482</b>                   |
| <b>Other Financing Sources<br/>(Uses), Net.....</b>  | <b><u>75,828</u></b>                | <b><u>13,460</u></b>        | <b><u>89,288</u></b>        | <b><u>—</u></b>            | <b><u>—</u></b>            | <b><u>89,288</u></b>               |
| <b>Revenue and Other<br/>Financing Sources Over<br/>(Under) Expenditures/<br/>Expenses and Other<br/>Financing Uses.....</b> | <b>(4,327,358)</b>                  | <b>69,269</b>               | <b>(4,258,089)</b>          | <b>(7,539,859)</b>         | <b>(7,796,859)</b>         | <b><u>\$ 3,538,770</u></b>         |
| Balance - Beginning of Year,<br>as restated (Note 19) .....  | <u>16,145,324</u>                   | <u>275,586</u>              | <u>16,420,910</u>           | <u>15,898,917</u>          | <u>15,898,917</u>          |                                    |
| <b>Balance - End of Year .....</b>   | <b><u>\$ 11,817,966</u></b>         | <b><u>\$ 344,855</u></b>    | <b><u>\$ 12,162,821</u></b> | <b><u>\$ 8,359,058</u></b> | <b><u>\$ 8,102,058</u></b> |                                    |

## Notes to Required Supplementary Information - Budgetary Reporting ---

Year Ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar and statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$257,000.

During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

# Schedule of Proportionate Share of the Net Pension Liability ---

## Iowa Public Employees' Retirement System

Last Fiscal Year\*

|  | 2015         |
|--|--------------|
| District's proportion of the net pension liability .....   | 0.213979%    |
| District's proportionate share of the net pension liability .....  | \$8,659,898  |
| District's covered-employee payroll .....  | \$14,281,000 |
| District's proportionate share of the net pension liability as a<br>percentage of its covered-employee payroll ..... | 60.64%       |
| Plan fiduciary net position as a percentage of the total pension liability .....                                     | 87.61%       |

\* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the District will present information for those years for which information is available.

Schedule of Contributions

Iowa Public Employees' Retirement System

Last Ten Fiscal Years

|   | 2015               | 2014               | 2013               | 2012               | 2011               | 2010               | 2009               | 2008               | 2007               | 2006               |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Statutorily required contributions .....                                    | \$ 1,275,793       | \$ 1,275,250       | \$ 1,218,190       | \$ 1,138,700       | \$ 957,168         | \$ 915,530         | \$ 846,909         | \$ 835,507         | \$ 750,093         | \$ 691,122         |
| Contributions in relation to the<br>statutorily required contributions..... | <u>(1,275,793)</u> | <u>(1,275,250)</u> | <u>(1,218,190)</u> | <u>(1,138,700)</u> | <u>(957,168)</u>   | <u>(915,530)</u>   | <u>(846,909)</u>   | <u>(835,507)</u>   | <u>(750,093)</u>   | <u>(691,122)</u>   |
| Contribution Deficiency (Excess) .....                                      | <u><u>\$ —</u></u> | <u><u>\$ —</u></u> | <u><u>\$ —</u></u> | <u><u>\$ —</u></u> | <u><u>\$ —</u></u> | <u><u>\$ —</u></u> | <u><u>\$ —</u></u> | <u><u>\$ —</u></u> | <u><u>\$ —</u></u> | <u><u>\$ —</u></u> |
| District's covered-employee<br>payroll .....                                | \$ 14,287,000      | \$ 14,281,000      | \$ 14,051,000      | \$ 14,128,000      | \$ 13,772,000      | \$ 13,767,000      | \$ 13,337,000      | \$ 13,810,000      | \$ 13,045,000      | \$ 12,020,000      |
| Contributions as a percentage of<br>covered-employee payroll .....          | 8.93%              | 8.93%              | 8.67%              | 8.06%              | 6.95%              | 6.65%              | 6.35%              | 6.05%              | 5.75%              | 5.75%              |



## Notes to Required Supplementary Information - Pension Liability ---

Year Ended June 30, 2015

### Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

### Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

## Notes to Required Supplementary Information - Pension Liability ---

Year Ended June 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

## Schedule of Funding Progress for the Retiree Health Plan

| Year<br>Ended<br>June 30, | Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>[(b-a)/c] |
|---------------------------|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 2009                      | 7-1-08                         | \$ —                                   | \$ 1,556,000                                      | \$ 1,556,000                       | 0%                       | \$ 11,073,000             | 14.1%   |
| 2010                      | 7-1-08                         | —                                      | 1,556,000   | 1,556,000                          | 0                        | 12,555,000                | 12.4  |
| 2011                      | 7-1-10                         | —                                      | 1,397,000   | 1,397,000                          | 0                        | 11,594,000                | 12.0  |
| 2012                      | 7-1-10                         | —                                      | 1,397,000   | 1,397,000                          | 0                        | 11,902,000                | 11.7  |
| 2013                      | 7-1-12                         | —                                      | 1,699,000   | 1,699,000                          | 0                        | 11,711,000                | 14.5  |
| 2014                      | 7-1-12                         | —                                      | 1,699,000   | 1,699,000                          | 0                        | 11,587,000                | 14.7  |
| 2015                      | 7-1-14                         | —                                      | 1,331,000   | 1,331,000                          | 0                        | 12,091,000                | 11.0  |

See Note 9 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**Supplementary Information**



## Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2015

|   | Special Revenue          |                          |                                      |                            |
|---|--------------------------|--------------------------|--------------------------------------|----------------------------|
|   | Student Activity         | Management Levy          | Public Education and Recreation Levy | Total                      |
| <b>Assets</b>   |                          |                          |                                      |                            |
| Cash, cash equivalents and pooled investments .....                           | \$ 234,180               | \$ 774,776               | \$ 62,755                            | \$ 1,071,711               |
| Receivables   |                          |                          |                                      |                            |
| Property Tax, Net of Allowance  |                          |                          |                                      |                            |
| Current year delinquent .....   | —                        | 3,768                    | 620                                  | 4,388                      |
| Succeeding year.....  | —                        | 200,000                  | 63,102                               | 263,102                    |
| Due from other governments .....  | <u>285</u>               | <u>—</u>                 | <u>3</u>                             | <u>288</u>                 |
| <b>Total Assets .....</b>   | <b><u>\$ 234,465</u></b> | <b><u>\$ 978,544</u></b> | <b><u>\$ 126,480</u></b>             | <b><u>\$ 1,339,489</u></b> |
| <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>           |                          |                          |                                      |                            |
| <b>Liabilities</b>  |                          |                          |                                      |                            |
| Accounts payable .....  | <u>\$ 4,971</u>          | <u>\$ 3,007</u>          | <u>\$ —</u>                          | <u>\$ 7,978</u>            |
| <b>Deferred Inflows of Resources</b>  |                          |                          |                                      |                            |
| Unavailable Revenue   |                          |                          |                                      |                            |
| Succeeding year property tax.....   | <u>—</u>                 | <u>200,000</u>           | <u>63,102</u>                        | <u>263,102</u>             |
| <b>Fund Balances</b>  |                          |                          |                                      |                            |
| Restricted for  |                          |                          |                                      |                            |
| Student activities.....   | 229,494                  | —                        | —                                    | 229,494                    |
| Management levy purposes .....  | —                        | 775,537                  | —                                    | 775,537                    |
| Public recreation .....   | <u>—</u>                 | <u>—</u>                 | <u>63,378</u>                        | <u>63,378</u>              |
| <b>Total Fund Balances .....</b>  | <b><u>229,494</u></b>    | <b><u>775,537</u></b>    | <b><u>63,378</u></b>                 | <b><u>1,068,409</u></b>    |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balances ...</b> | <b><u>\$ 234,465</u></b> | <b><u>\$ 978,544</u></b> | <b><u>\$ 126,480</u></b>             | <b><u>\$ 1,339,489</u></b> |

# Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2015

|  | <b>Special Revenue</b>   |                          |   |                            |
|--|--------------------------|--------------------------|---|----------------------------|
|  | <b>Student Activity</b>  | <b>Management Levy</b>   | <b>Public Education and Recreation Levy</b> | <b>Total</b>               |
| <b>Revenue</b>                           |                          |                          |   |                            |
| Local Sources                            |                          |                          |   |                            |
| Local tax .....                          | \$ —                     | \$ 378,809               | \$ 62,608                                   | \$ 441,417                 |
| Other.....                               | 269,249                  | 15,570                   | —   | 284,819                    |
| State sources .....                      | —                        | 4,659                    | 770   | 5,429                      |
| <b>Total Revenue.....</b>                | <b><u>269,249</u></b>    | <b><u>399,038</u></b>    | <b><u>63,378</u></b>                        | <b><u>731,665</u></b>      |
| <b>Expenditures</b>                      |                          |                          |   |                            |
| Current                                  |                          |                          |   |                            |
| Instruction                              |                          |                          |   |                            |
| Regular.....                             | —                        | 137,133                  | —   | 137,133                    |
| Other .....                              | <u>242,574</u>           | <u>—</u>                 | <u>—</u>                                    | <u>242,574</u>             |
| Total Instruction.....                   | <u>242,574</u>           | <u>137,133</u>           | <u>—</u>                                    | <u>379,707</u>             |
| Support Services                         |                          |                          |   |                            |
| Administration.....                      | 100                      | 8,071                    | —   | 8,171                      |
| Operation and maintenance of plant ..... | 8,377                    | 251,414                  | —   | 259,791                    |
| Transportation .....                     | <u>—</u>                 | <u>11,601</u>            | <u>—</u>                                    | <u>11,601</u>              |
| Total Support Services .....             | <u>8,477</u>             | <u>271,086</u>           | <u>—</u>                                    | <u>279,563</u>             |
| <b>Total Expenditures .....</b>          | <b><u>251,051</u></b>    | <b><u>408,219</u></b>    | <b><u>—</u></b>                             | <b><u>659,270</u></b>      |
| <b>Change in Fund Balances .....</b>     | <b>18,198</b>            | <b>(9,181)</b>           | <b>63,378</b>                               | <b>72,395</b>              |
| Fund Balances - Beginning of Year ...    | <u>211,296</u>           | <u>784,718</u>           | <u>—</u>                                    | <u>996,014</u>             |
| <b>Fund Balances - End of Year .....</b> | <b><u>\$ 229,494</u></b> | <b><u>\$ 775,537</u></b> | <b><u>\$ 63,378</u></b>                     | <b><u>\$ 1,068,409</u></b> |

# Schedule of Changes in Special Revenue Fund, Student Activity Accounts —

Year Ended June 30, 2015

| Account                      | Balance -<br>Beginning<br>of Year | Revenue | Expendi-<br>tures | Intrafund<br>Transfers | Balance -<br>End of Year |
|------------------------------|-----------------------------------|---------|-------------------|------------------------|--------------------------|
| Restricted - Unallocated     |                                   |         |                   |                        |                          |
| Interest.....                | \$ 90                             | \$ 38   | \$ 24             | \$ (104)               | \$ —                     |
| Activity Revenue.....        | —                                 | 116,026 | —                 | (116,026)              | —                        |
| Musicals .....               | 246                               | —       | 351               | 105                    | —                        |
| Band Uniforms.....           | 872                               | —       | —                 | —                      | 872                      |
| <br>Cheerleading .....       | 14,468                            | 2,374   | 3,665             | —                      | 13,177                   |
| Drill Team.....              | 13,227                            | 3,899   | 2,967             | —                      | 14,159                   |
| Basketball.....              | 3,826                             | 6,274   | 13,151            | 6,101                  | 3,050                    |
| State-Sponsored Tournament   | —                                 | 1,247   | 4,126             | 2,879                  | —                        |
| <br>Football .....           | 2,021                             | 12,136  | 36,209            | 34,071                 | 12,019                   |
| Baseball .....               | —                                 | 7,527   | 21,267            | 13,740                 | —                        |
| Boys Track .....             | 3,093                             | 823     | 2,921             | —                      | 995                      |
| Boys Cross Country.....      | 5                                 | —       | 619               | 614                    | —                        |
| <br>Boys Soccer .....        | 518                               | 567     | 2,396             | 1,311                  | —                        |
| Boys Tennis.....             | 3,208                             | 1,458   | 2,347             | —                      | 2,319                    |
| Boys Golf.....               | 3,697                             | 25      | 581               | —                      | 3,141                    |
| Boys Swimming.....           | 5,253                             | 1,205   | 1,552             | —                      | 4,906                    |
| <br>Wrestling .....          | 2,856                             | 2,965   | 6,545             | 23,418                 | 22,694                   |
| Girls Basketball .....       | 3,264                             | 3,253   | 9,898             | 3,552                  | 171                      |
| Volleyball.....              | 2,822                             | 5,652   | 6,866             | —                      | 1,608                    |
| Softball .....               | —                                 | 547     | 9,038             | 8,491                  | —                        |
| <br>Girls Track.....         | 5,537                             | 2,490   | 4,069             | —                      | 3,958                    |
| Girls Cross Country .....    | 4,086                             | —       | 569               | —                      | 3,517                    |
| Girls Soccer.....            | 244                               | 142     | 3,193             | 2,807                  | —                        |
| Girls Tennis .....           | 5,224                             | 674     | 1,536             | —                      | 4,362                    |
| <br>Girls Swimming .....     | 4,429                             | 2,324   | 3,224             | —                      | 3,529                    |
| Athletic Miscellaneous ..... | 459                               | 9,387   | 18,807            | 8,961                  | —                        |
| Lift-A-Thon Fund .....       | 84                                | —       | —                 | —                      | 84                       |
| Pride Club Fund .....        | 2,373                             | 190     | —                 | —                      | 2,563                    |
| <br>FCCLA .....              | 185                               | 1,866   | 1,672             | —                      | 379                      |
| FFA .....                    | 13,400                            | 28,918  | 25,015            | —                      | 17,303                   |
| Foreign Language Club .....  | 5,985                             | 2,163   | 2,930             | —                      | 5,218                    |
| Chess Club.....              | 159                               | —       | —                 | —                      | 159                      |

# Schedule of Changes in Special Revenue Fund, Student Activity Accounts —

Year Ended June 30, 2015

| Account                       | Balance -<br>Beginning<br>of Year | Revenue                  | Expendi-<br>tures        | Intrafund<br>Transfers | Balance -<br>End of Year |
|-------------------------------|-----------------------------------|--------------------------|--------------------------|------------------------|--------------------------|
| Thespian Club .....           | \$ 1,280                          | \$ 2,437                 | \$ 2,858                 | \$ —                   | \$ 859                   |
| Peer Helpers .....            | 2,062                             | —                        | —                        | —                      | 2,062                    |
| National Honor Society .....  | 1,206                             | 430                      | 1,066                    | —                      | 570                      |
| Student Council .....         | 19,044                            | 14,406                   | 9,561                    | —                      | 23,889                   |
| Student Congress .....        | 5,191                             | 3,471                    | 4,361                    | —                      | 4,301                    |
| SADD High School .....        | 229                               | —                        | —                        | —                      | 229                      |
| SADD Middle School .....      | 12                                | —                        | —                        | —                      | 12                       |
| HS Year Book .....            | 4,609                             | 2,760                    | —                        | —                      | 7,369                    |
| Spotlight .....               | 200                               | —                        | —                        | —                      | 200                      |
| Middle School Year Book ..... | 3,507                             | 5,440                    | 5,884                    | —                      | 3,063                    |
| Drama .....                   | 13,039                            | 557                      | 3,453                    | —                      | 10,143                   |
| Speech .....                  | 2,994                             | —                        | 1,629                    | 3,042                  | 4,407                    |
| Prom .....                    | 10,439                            | 8,926                    | 8,953                    | —                      | 10,412                   |
| Elementary Library .....      | 574                               | —                        | —                        | (574)                  | —                        |
| Franklin Box Top .....        | 244                               | —                        | —                        | —                      | 244                      |
| Lincoln Activity .....        | 5,074                             | 880                      | 363                      | —                      | 5,591                    |
| Page Activity .....           | 2,318                             | 875                      | 843                      | —                      | 2,350                    |
| Construction .....            | 1,750                             | 450                      | 471                      | 415                    | 2,144                    |
| MS Art IA Soybean Assoc. .... | 284                               | —                        | —                        | —                      | 284                      |
| Futures .....                 | 558                               | —                        | 100                      | 47                     | 505                      |
| MS Vocal Music .....          | 7,252                             | —                        | 1,675                    | —                      | 5,577                    |
| MS Band .....                 | 1,632                             | 509                      | 1,467                    | —                      | 674                      |
| HS Instrumental Music .....   | 7,292                             | 1,735                    | 3,391                    | —                      | 5,636                    |
| Orchestra .....               | 8,573                             | —                        | 2,773                    | 321                    | 6,121                    |
| Red Cross Fund .....          | 989                               | —                        | 685                      | (304)                  | —                        |
| HS Vocal Music .....          | —                                 | 7,080                    | 9,109                    | 3,089                  | 1,060                    |
| MS Outdoor Working Lab .....  | 614                               | —                        | —                        | —                      | 614                      |
| HS Library .....              | 43                                | —                        | —                        | (43)                   | —                        |
| HS Principal .....            | —                                 | —                        | 4,087                    | 4,087                  | —                        |
| Tag Fundraising .....         | 4,849                             | 1,367                    | 130                      | —                      | 6,086                    |
| TSA High School .....         | 1,126                             | 1,600                    | 1,065                    | —                      | 1,661                    |
| TSA Middle School .....       | 2,681                             | 2,156                    | 1,589                    | —                      | 3,248                    |
|                               | <b><u>\$ 211,296</u></b>          | <b><u>\$ 269,249</u></b> | <b><u>\$ 251,051</u></b> | <b><u>\$ —</u></b>     | <b><u>\$ 229,494</u></b> |



## Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2015

|   | <b>Capital Projects</b>                              |  |                                     |                            |
|---|--|--|-------------------------------------|----------------------------|
|   | <b>Statewide<br/>Sales, Services<br/>and Use Tax</b> | <b>Physical Plant<br/>and Equip-<br/>ment Levy</b> | <b>High School<br/>Construction</b> | <b>Total</b>               |
| <b>Assets</b>   |  |  |                                     |                            |
| Cash, cash equivalents and pooled investments.....                        | \$ 3,864,159   | \$ 542,243   | \$ 2,051,661                        | \$ 6,458,063               |
| Receivables   |  |  |                                     |                            |
| Property Tax, Net of Allowance  |  |  |                                     |                            |
| Current year delinquent .....   | —  | 8,010  | —                                   | 8,010                      |
| Succeeding year.....  | —  | 820,022  | —                                   | 820,022                    |
| Accounts.....   | —  | —  | 2,677                               | 2,677                      |
| Due from other funds.....   | 2,000  | 5,679  | —                                   | 7,679                      |
| Due (to) from other accounts .....  | (65,134)   | 65,134   | —                                   | —                          |
| Due from other governments .....  | <u>315,193</u>                                       | <u>35</u>  | <u>—</u>                            | <u>315,228</u>             |
| <b>Total Assets .....</b>   | <b><u>\$ 4,116,218</u></b>                           | <b><u>\$ 1,441,123</u></b>                         | <b><u>\$ 2,054,338</u></b>          | <b><u>\$ 7,611,679</u></b> |
| <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>       |  |  |                                     |                            |
| <b>Liabilities</b>  |  |  |                                     |                            |
| Accounts payable .....  | <u>\$ 172,789</u>                                    | <u>\$ 21,829</u>                                   | <u>\$ 1,200,470</u>                 | <u>\$ 1,395,088</u>        |
| <b>Deferred Inflows of Resources</b>                                      |  |  |                                     |                            |
| Unavailable Revenue   |  |  |                                     |                            |
| Succeeding year property tax.....   | <u>—</u>   | <u>820,022</u>                                     | <u>—</u>                            | <u>820,022</u>             |
| <b>Fund Balances</b>  |  |  |                                     |                            |
| Restricted for  |  |  |                                     |                            |
| Debt Service .....  | 1,187,013  | —  | —                                   | 1,187,013                  |
| School infrastructure .....   | 2,756,416  | —  | 853,868                             | 3,610,284                  |
| Physical plant and equipment .....  | <u>—</u>   | <u>599,272</u>                                     | <u>—</u>                            | <u>599,272</u>             |
| <b>Total Fund Balances .....</b>  | <b><u>3,943,429</u></b>                              | <b><u>599,272</u></b>                              | <b><u>853,868</u></b>               | <b><u>5,396,569</u></b>    |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b> | <b><u>\$ 4,116,218</u></b>                           | <b><u>\$ 1,441,123</u></b>                         | <b><u>\$ 2,054,338</u></b>          | <b><u>\$ 7,611,679</u></b> |

# Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Capital Projects Accounts

Year Ended June 30, 2015

|  | <b>Capital Projects</b>                              |  |                                     |                     |
|--|--|--|-------------------------------------|---------------------|
|  | <b>Statewide<br/>Sales, Services<br/>and Use Tax</b> | <b>Physical Plant<br/>and Equip-<br/>ment Levy</b> | <b>High School<br/>Construction</b> | <b>Total</b>        |
| <b>Revenue</b>   |  |  |                                     |                     |
| Local Sources  |  |  |                                     |                     |
| Local tax .....  | \$ —   | \$ 815,980   | \$ —                                | \$ 815,980          |
| Other.....   | 25,907   | 13   | 4,447                               | 30,367              |
| State sources .....                                      | 2,070,193  | 9,526  | —                                   | 2,079,719           |
| <b>Total Revenue .....</b>                               | <b>2,096,100</b>                                     | <b>825,519</b>                                     | <b>4,447</b>                        | <b>2,926,066</b>    |
| <b>Expenditures</b>                                      |  |  |                                     |                     |
| Current  |  |  |                                     |                     |
| Instruction  |  |  |                                     |                     |
| Regular.....   | 208,709  | 213,626  | —                                   | 422,335             |
| Support Services   |  |  |                                     |                     |
| Administration.....                                      | 13,746   | 31,069   | —                                   | 44,815              |
| Operation and maintenance<br>of plant .....              | —  | 123,844  | —                                   | 123,844             |
| Total Support Services .....                             | 13,746   | 154,913  | —                                   | 168,659             |
| Other Expenditures                                       |  |  |                                     |                     |
| Facilities acquisition .....                             | 19,862   | 276,297  | 6,092,509                           | 6,388,668           |
| <b>Total Expenditures .....</b>                          | <b>242,317</b>                                       | <b>644,836</b>                                     | <b>6,092,509</b>                    | <b>6,979,662</b>    |
| <b>Revenue Over (Under)<br/>Expenditures .....</b>       | <b>1,853,783</b>                                     | <b>180,683</b>                                     | <b>(6,088,062)</b>                  | <b>(4,053,596)</b>  |
| <b>Other Financing Sources (Uses)</b>                    |  |  |                                     |                     |
| Proceeds from sale of capital assets                     | —  | 74,801   | —                                   | 74,801              |
| Transfers out.....                                       | (1,159,813)  | —  | —                                   | (1,159,813)         |
| <b>Total Other Financing<br/>    Source (Uses) .....</b> | <b>(1,159,813)</b>                                   | <b>74,801</b>                                      | <b>—</b>                            | <b>(1,085,012)</b>  |
| <b>Change in Fund Balances.....</b>                      | <b>693,970</b>                                       | <b>255,484</b>                                     | <b>(6,088,062)</b>                  | <b>(5,138,608)</b>  |
| Fund Balances - Beginning of Year                        | 3,249,459  | 343,788  | 6,941,930                           | 10,535,177          |
| <b>Fund Balances - End of Year .....</b>                 | <b>\$ 3,943,429</b>                                  | <b>\$ 599,272</b>                                  | <b>\$ 853,868</b>                   | <b>\$ 5,396,569</b> |

**Schedule of Revenue by Source and Expenditures by Function -  
All Governmental Fund Types (Modified Accrual Basis)**

Years Ended June 30, 2006 through 2015

|  | 2015                        | 2014                        | 2013                        | 2012                        | 2011                        | 2010                        | 2009                        | 2008                        | 2007                        | 2006                        |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Revenue</b>                           |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |
| Local Sources                            |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |
| Local tax .....                          | \$ 9,210,341                | \$ 8,604,196                | \$ 10,127,882               | \$ 9,596,477                | \$ 10,392,406               | \$ 9,873,755                | \$ 9,362,981                | \$ 9,001,345                | \$ 9,053,675                | \$ 7,883,932                |
| Tuition .....                            | 1,067,145                   | 982,042                     | 1,038,871                   | 1,111,715                   | 1,237,200                   | 1,267,917                   | 1,874,517                   | 1,835,631                   | 1,855,694                   | 1,816,342                   |
| Other .....                              | 815,251                     | 574,851                     | 549,572                     | 533,320                     | 700,085                     | 577,374                     | 765,287                     | 1,013,826                   | 1,300,917                   | 1,548,970                   |
| Intermediate sources .....               | —                           | —                           | —                           | —                           | —                           | —                           | 7,854                       | —                           | —                           | 479                         |
| State sources .....                      | 16,473,564                  | 16,058,945                  | 13,666,242                  | 13,339,042                  | 12,165,691                  | 10,728,876                  | 11,915,314                  | 12,158,734                  | 11,336,321                  | 11,161,043                  |
| Federal sources.....                     | <u>855,529</u>              | <u>917,228</u>              | <u>905,325</u>              | <u>1,189,553</u>            | <u>1,514,165</u>            | <u>1,915,190</u>            | <u>915,172</u>              | <u>606,531</u>              | <u>865,332</u>              | <u>541,175</u>              |
| <b>Total .....</b>                       | <b><u>\$ 28,421,830</u></b> | <b><u>\$ 27,137,262</u></b> | <b><u>\$ 26,287,892</u></b> | <b><u>\$ 25,770,107</u></b> | <b><u>\$ 26,009,547</u></b> | <b><u>\$ 24,363,112</u></b> | <b><u>\$ 24,841,125</u></b> | <b><u>\$ 24,616,067</u></b> | <b><u>\$ 24,411,939</u></b> | <b><u>\$ 22,951,941</u></b> |
| <b>Expenditures</b>                      |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |
| Instruction                              |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |
| Regular .....                            | \$ 9,939,239                | \$ 10,010,541               | \$ 9,457,385                | \$ 9,823,819                | \$ 9,540,488                | \$ 9,502,631                | \$ 9,880,039                | \$ 10,238,273               | \$ 9,994,188                | \$ 9,031,889                |
| Special .....                            | 4,880,120                   | 4,825,084                   | 4,502,564                   | 4,409,852                   | 4,405,512                   | 4,050,504                   | 3,936,127                   | 3,723,582                   | 3,797,441                   | 3,762,965                   |
| Other.....                               | 1,182,482                   | 1,187,045                   | 1,227,645                   | 1,271,201                   | 1,259,385                   | 1,197,671                   | 1,154,045                   | 1,368,168                   | 1,303,120                   | 1,167,500                   |
| Support Services                         |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |
| Student .....                            | 933,646                     | 846,598                     | 808,652                     | 797,286                     | 678,451                     | 694,099                     | 676,150                     | 773,552                     | 746,397                     | 749,001                     |
| Instructional staff.....                 | 569,245                     | 519,362                     | 507,891                     | 558,828                     | 545,149                     | 443,099                     | 453,867                     | 554,688                     | 714,945                     | 671,320                     |
| Administration .....                     | 2,487,058                   | 2,744,732                   | 2,595,791                   | 2,490,293                   | 2,290,327                   | 2,334,310                   | 2,336,282                   | 2,305,447                   | 2,314,547                   | 2,152,091                   |
| Operation and maintenance of plant ..... | 2,452,771                   | 2,650,225                   | 2,437,464                   | 2,481,170                   | 2,400,908                   | 2,202,933                   | 2,056,123                   | 2,262,848                   | 2,058,498                   | 1,694,632                   |
| Transportation.....                      | 510,498                     | 536,850                     | 644,072                     | 567,965                     | 670,145                     | 551,206                     | 481,531                     | 556,578                     | 495,398                     | 482,188                     |
| Other Expenditures                       |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |
| Facilities acquisition .....             | 6,388,668                   | 9,513,826                   | 5,465,643                   | 963,873                     | 2,044,080                   | 6,223,372                   | 735,377                     | 429,108                     | 1,277,941                   | 7,638,697                   |
| Long-Term Debt                           |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |
| Principal .....                          | 1,410,000                   | 1,400,000                   | 1,650,000                   | 940,000                     | 790,000                     | 5,545,000                   | 755,000                     | 725,000                     | 695,000                     | 680,000                     |
| Interest and other charges.....          | 1,182,015                   | 1,211,815                   | 1,157,791                   | 784,980                     | 831,644                     | 633,442                     | 457,960                     | 481,030                     | 503,380                     | 526,606                     |
| AEA flowthrough.....                     | <u>889,274</u>              | <u>861,617</u>              | <u>820,628</u>              | <u>789,158</u>              | <u>848,939</u>              | <u>839,131</u>              | <u>774,946</u>              | <u>758,746</u>              | <u>722,385</u>              | <u>682,318</u>              |
| <b>Total .....</b>                       | <b><u>\$ 32,825,016</u></b> | <b><u>\$ 36,307,695</u></b> | <b><u>\$ 31,275,526</u></b> | <b><u>\$ 25,878,425</u></b> | <b><u>\$ 26,305,028</u></b> | <b><u>\$ 34,217,398</u></b> | <b><u>\$ 23,697,447</u></b> | <b><u>\$ 24,177,020</u></b> | <b><u>\$ 24,623,240</u></b> | <b><u>\$ 29,239,207</u></b> |

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

| Grantor/Pass-Through<br>Grantor/Program or Cluster Title | CFDA<br>Number | Grant<br>Number | Expenditures               |
|--|----------------|-----------------|----------------------------|
| <b>Indirect</b>  |                |                 |                            |
| <b>U.S. Department of Agriculture</b>                    |                |                 |                            |
| Pass-Through From Iowa Department of Education           |                |                 |                            |
| Child Nutrition Cluster                                  |                |                 |                            |
| School Breakfast Program.....                            | 10.553         | FY 15           | \$ 67,046                  |
| National School Lunch Program .....                      | 10.555*        | FY 15           | 438,760                    |
| <b>Total U.S. Department of Agriculture.....</b>         |                |                 | <b><u>505,806</u></b>      |
| <b>U.S. Department of Education</b>                      |                |                 |                            |
| Pass-Through From Heartland Area Education Agency        |                |                 |                            |
| Special Education - Grants to States.....                | 84.027         | FY 15           | <u>108,395</u>             |
| Pass-Through From Iowa Department of Education           |                |                 |                            |
| Title I Grants to Local Educational Agencies .....       | 84.010         | FY 15           | <u>315,474</u>             |
| Career and Technical Education - Basic Grants            |                |                 |                            |
| to States .....  | 84.048         | FY 15           | <u>19,050</u>              |
| Improving Teacher Quality State Grants .....             | 84.367         | FY 15           | <u>57,582</u>              |
| Grants for State Assessments and Related Activities      | 84.369         | FY 15           | <u>10,325</u>              |
| Total Pass-Through From Iowa Department                  |                |                 |                            |
| of Education .....                                       |                |                 | <u>402,431</u>             |
| <b>Total U.S. Department of Education .....</b>          |                |                 | <b><u>510,826</u></b>      |
| <b>Total .....</b>                                       |                |                 | <b><u>\$ 1,016,632</u></b> |

\* Includes \$78,931 of noncash awards.

### Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Boone Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Subrecipients

Boone Community School District provided no federal awards to subrecipients.

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

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Board of Education  
Boone Community School District  
Boone, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, except as discussed in the independent auditor's report, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Boone Community School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated November 24, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Boone Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boone Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Boone Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying schedule of findings and questioned costs as items 15-II-R-1, 15-II-R-4 and 15-II-R-5 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying schedule of findings and questioned costs as items 15-II-R-2, 15-II-R-3, 15-II-R-6, 15-II-R-7 and 15-II-R-8 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Boone Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Boone Community School District's Responses to Findings**

Boone Community School District's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
November 24, 2015

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# HOGAN • HANSEN

*A Professional Corporation*

Certified Public Accountants and Consultants

## **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133**

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Board of Education  
Boone Community School District  
Boone, Iowa

### **Report on Compliance for Each Major Federal Program**

We have audited Boone Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Boone Community School District's major federal programs for the year ended June 30, 2015. Boone Community School District's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Boone Community School District's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boone Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Boone Community School District's compliance with those requirements.

### **Opinion on Each Major Federal Program**

In our opinion, Boone Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

The management of Boone Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Boone Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Boone Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in Part III of the accompanying schedule of findings and questioned costs as item 15-III-R-1 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in Part III of the accompanying schedule of findings and questioned costs as item 15-III-R-2 to be a significant deficiency.

Boone Community School District's responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Boone Community School District's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
November 24, 2015



## Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

### Part I: Summary of the Independent Auditor's Results

#### Financial Statements

Type of auditor's report issued:

Unmodified and adverse

Internal control over financial reporting:

Material weakness identified?

☒ yes ☐ no

Significant deficiency identified not considered to be material weakness?

☒ yes ☐ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

#### Federal Awards

Internal control over major programs:

Material weakness identified?

☒ yes ☐ no

Significant deficiency identified not considered to be material weakness?

☒ yes ☐ none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?

☒ yes ☐ no

Identification of major programs:

#### **CFDA Numbers or Cluster**

#### **Name of Federal Program**

Child Nutrition Cluster

10.553

10.555

84.010

School Breakfast Program

National School Lunch Program

Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

## Schedule of Findings and Questioned Costs

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Year Ended June 30, 2015

### **Part II: Findings Related to the Financial Statements**

#### **Instances of Noncompliance**

There were no reported instances of noncompliance.

#### **Internal Control Deficiencies**

Prior year deficiencies have not been resolved and have been repeated below as items 15-II-R-1, 15-II-R-2 and 15-II-R-3.

#### **15-II-R-1 Segregation of Duties**

**Prior Year Finding and Recommendation** - The limited number of personnel employed by the District in its accounting department makes it difficult to achieve adequate control procedures through the segregation of employee duties. The concentration of closely related duties and responsibilities, such as recording and preparing cash receipts, preparing and recording checks and preparation of journals and general financial information for posting makes it impossible to establish an adequate system of automatic internal checks on accounting record accuracy and reliability.

The potential effect of these control deficiencies is that a misstatement or omission in the financial statements or fraud would not be prevented, detected or corrected on a timely basis. We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

**Current Year Finding** - We found that the same condition still exists.

**Auditor's Recommendation** - We reiterate our prior year recommendation.

**District's Response** - We will monitor this situation and continue to segregate incompatible duties as efficiently as possible.

**Auditor's Conclusion** - Response accepted.

#### **15-II-R-2 Disbursement Approval Policy**

**Prior Year Finding and Recommendation** - According to District policy, the Superintendent has final approval of District disbursements. We noted prior instances of the Superintendent providing final approval on mileage reimbursement requests from the middle school principal who is also his spouse. This could create a concern regarding conflict of interest.

We recommended that Board policy be amended to provide a clear division of disbursement requests and approval when spouses or other related parties are involved by utilizing another District employee or a Board member to approve disbursements in these situations.

**Current Year Finding** - We found that prior to January, 2015 when the previous year's corrective action plan was implemented, there was an isolated instance of this taking place. After the corrective action plan was implemented, we did not note any such occurrences.

## Schedule of Findings and Questioned Costs

---

Year Ended June 30, 2015

**District's Response** - The District has been utilizing the Director of Innovative learning to approve the appropriate reimbursement requests since January of 2015 and this process is working well.

**Auditor's Conclusion** - Response accepted.

### 15-II-R-3 Disbursement Approval

**Prior Year Finding and Recommendation** - During our prior audit, two instances were noted where an individual approved their own reimbursement request. This could potentially lead to improper reimbursements.

We recommended that existing procedures and policies be followed for reimbursements which require supervisory approval separate of the individual requesting reimbursement prior to payment.

**Current Year Finding** - We found that the same condition still exists and noted three instances of an individual approving their own reimbursement request.

**Auditor's Recommendation** - We reiterate our prior year recommendation.

**District's Response** - We will comply with this recommendation.

**Auditor's Conclusion** - Response accepted.

**15-II-R-4 Contract Approval** - During our audit, we became aware of a payment made to a District employee in July of 2015. Their contract for the 2014-2015 school year expired on June 30, 2015 and their contract for the 2015-2016 school year did not begin until August 1, 2015. The Superintendent had offered a temporary contract to the employee for the month of July paid at the hourly rate of the 2015-2016 contract. We were unable to determine based on District policies if the Superintendent had the authority to enter into such a contract. In addition, an instance involved distributing a final payroll check for the services on the last day of work performed.

**Auditor's Recommendation** - We recommend that the Board policies be amended and specifically state the Superintendent's responsibility and authority in terms of awarding temporary contracts. We also recommend changing procedures so that employees who are completing a timesheet and are paid on an hourly basis are not paid before the services are performed.

**District's Response** - The District will review policies regarding the Superintendent's authority to make temporary, short-term assignments to contracted employees. The District will also review its procedures for temporary hourly employees.

**Auditor's Conclusion** - Response accepted.

## Schedule of Findings and Questioned Costs

---

Year Ended June 30, 2015

- 15-II-R-5 Student Meal Accounts** - During our audit, we noted that some students have significant negative balances in their meal account that are not actively being recovered by the District. In addition, the District is reusing meal account numbers in their software creating incorrect balances. The potential effect of these control deficiencies is incorrect meal account balances being maintained in the District's software and lost revenue for meals served.

**Auditor's Recommendation** - We recommend that the District implement a policy to monitor student meal account balances and not allow a student's meal account to become excessively negative. We also recommend that the District not reuse meal account numbers in their software and adjust any meal accounts with incorrect balances.

**District's Response** - A revised delinquent lunch account procedure was reviewed and approved by the Board of Education in July, 2015. Monthly monitoring of delinquent accounts is being done by the Business Office. The Business Office will oversee the end-of-year process to ensure that meal account numbers are not reused.

**Auditor's Conclusion** - Response accepted.

- 15-II-R-6 Delayed Reimbursement** - During our audit, we noted an expense reimbursement paid to an employee more than two months after the employee had resigned from the District. The potential effect of this control deficiency is improper recognition and payment of the expenditures.

**Auditor's Recommendation** - We recommend that the District reimburse employees on a timely basis.

**District's Response** - The District will comply with this recommendation.

**Auditor's Conclusion** - Response accepted.

- 15-II-R-7 Outstanding Checks** - During our audit, we noted five checks that had been printed before year end; however, they were not mailed timely due to being misplaced. The potential effect of this control deficiency is late payment of liabilities.

**Auditor's Recommendation** - We recommend that the District mail checks shortly after printing and approval and accurately monitor and reconcile checks printed to checks clearing the bank to verify timely payment.

**District's Response** - The District will continue to monitor outstanding checks on a monthly basis and inquire about checks that are not cashed timely.

**Auditor's Conclusion** - Response accepted.

## Schedule of Findings and Questioned Costs

---

Year Ended June 30, 2015

**15-II-R-8 Inventory** - During our audit, we noted that the food and commodities inventory was not properly counted and reconciled at all locations within the District at year end. We also noted a significant increase in the inventory at year end that had to be stored over the summer. The potential effect of these deficiencies is incorrect inventory values being reported on the financial statements and loss of inventory due to expiration or spoilage.

**Auditor's Recommendation** - We recommend that the District implement a policy to adequately count and reconcile food and commodities inventory at year end and maintain a level of inventory that corresponds to need.

**District's Response** - Additional oversight and training will be provided during the inventory process. Department of Education inventory record documents will be utilized and completed in a timely manner.

**Auditor's Conclusion** - Response accepted.

### **Part III: Findings and Questioned Costs For Federal Awards**

#### **Instances of Noncompliance**

There were no reported instances of noncompliance.

#### **Internal Control Deficiencies**

A prior year deficiency has not been resolved and has been repeated below as item 15-III-R-1.

#### **All Programs Displayed on the Schedule of Expenditures of Federal Awards**

**15-III-R-1 Segregation of Duties** - Adequate control procedures through the segregation of employee (2015-001) duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See Finding 15-II-R-1 for additional information.

**CFDA Number 10.553: School Breakfast Program**

**CFDA Number 10.555: National School Lunch Program**

**Federal Award Year: 2015**

**U.S. Department of Agriculture**

**Passed through the Iowa Department of Education**

**15-III-R-2 Free and Reduced Meal Applications** - We were unable to locate and verify one (2015-002) student's free and reduced meal application. The potential effect of this control deficiency is lack of required documentation of meal reimbursement status and improper meal status.

**Auditor's Recommendation** - The District should maintain all free and reduced meal applications.

**District's Response** - The District will comply with this recommendation.

**Auditor's Conclusion** - Response accepted.

## Schedule of Findings and Questioned Costs

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Year Ended June 30, 2015

### Part IV: Other Findings Related to Statutory Reporting

- 15-IV-A Certified Budget** - Expenditures for the year ended June 30, 2015 did not exceed the amount budgeted in any program function.
- 15-IV-B Questionable Expenditures** - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 15-IV-C Travel Expense** - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 15-IV-D Business Transactions** - No business transactions between the District and District officials or employees were noted.
- 15-IV-E Bond Coverage** - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 15-IV-F Board Minutes** - No business transactions were found that we believe should have been approved in the Board minutes but were not.
- 15-IV-G Certified Enrollment** - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- 15-IV-H Supplementary Weighting** - No significant variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 15-IV-I Deposits and Investments** - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- 15-IV-J Certified Annual Report** - The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education.
- 15-IV-K Categorical Funding** - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 15-IV-L Statewide Sales, Services and Use Tax** - No instances of noncompliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the CAR submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

## Schedule of Findings and Questioned Costs

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Year Ended June 30, 2015

|   |                  |                            |
|---|------------------|----------------------------|
| Beginning balance.....  |                  | \$ 3,249,459               |
| Revenue   |                  |                            |
| Sales tax revenue .....   | \$ 2,070,193     |                            |
| Other local revenue .....   | <u>25,907</u>    | 2,096,100                  |
| Expenditures/Transfers Out  |                  |                            |
| School infrastructure construction and<br>capital assets purchased..... | \$ 242,317       |                            |
| Transfer to debt service fund.....                                      | <u>1,159,813</u> | <u>1,402,130</u>           |
| <b>Ending Balance .....</b>   |                  | <b><u>\$ 3,943,429</u></b> |

For the year ended June 30, 2015, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

### 15-IV-M Student Activity Fund

**Finding** - We noted that the Student Council voted and the District approved to use Student Activity Fund monies to purchase two of the benches in the High School entry way. This purchase did not appear to support only extracurricular or co-curricular activity as required by Chapter 298A.8 of the Code of Iowa and Iowa Administrative rule 281-12.6(1).

**Auditor's Recommendation** - Even though approved by the Student Council, the District should only use Student Activity Fund monies to support extracurricular activities as required.

**District's Response** - The District will comply with this recommendation.

**Auditor's Conclusion** - Response accepted.